

Profile

The Export-Import Bank of Korea ("the Bank") is an official export credit agency providing comprehensive export credit and project finance to support Korean enterprises in conducting business internationally. Since its establishment in 1976, the Bank has endeavored to facilitate the development of the national economy and enhance economic cooperation with foreign countries as a financial catalyst.

The Bank's financial service embraces export loan, trade finance, and guarantee structured to the needs of various customers, complementing the client's utmost competitiveness in world market. The Bank also provides overseas investment credit, import credit, and information services on business opportunities abroad. The potential projects are realized through the Bank's capability to cover risk and bridge the liquidity gap in overseas transactions.

Furthermore, the Bank administers two government funds, a Korean ODA program and a cooperation program with North Korea: Economic Development Cooperation Fund and Inter-Korea Cooperation Fund, respectively.

The Bank boasts of the highest credit rating among Korean financial institutions, and envisages "Creative Leader in Export Credit" trusted by Korean people and companies.

History

- 1976
Established by the Export-Import Bank of Korea Act
- 1977
Manages Export Insurance Fund
- 1987
Operates EDCF, a Korean ODA program
- 1988
Opens Overseas Economic Research Institute
- 1991
Administers IKCF (formerly known as SNKCF), a cooperation program with North Korea
- 1992
Relocates Export Insurance Fund to KEIC
- 1995
Financing activities exceed US\$5 billion
- 2000
Financing activities exceed US\$10 billion

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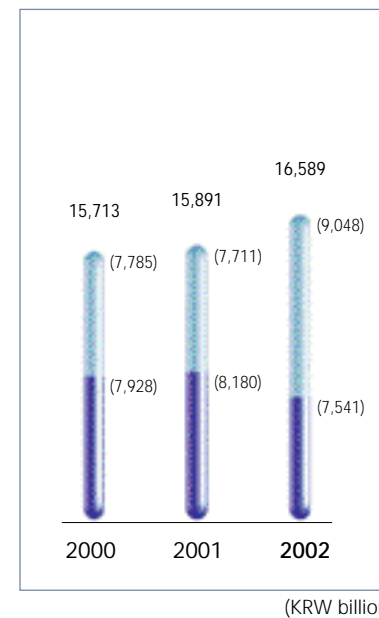
Financial Highlights

	KRW Billion		US\$ Million**	
	2001	2002	2001	2002
For the Year				
Total Commitments	15,891	16,589	13,238	13,820
Loans	8,180	7,541	6,814	6,282
Guarantees	7,711	9,048	6,424	7,538
Total Disbursements	13,250	15,189	11,038	12,653
Loans	7,337	8,375	6,112	6,977
Guarantees	5,913	6,814	4,926	5,676
Net Income	10*	54	8*	45
At Year-end				
Loans Outstanding	8,228	7,651	6,855	6,374
Guarantees Outstanding	8,608	10,484	7,171	8,734
Total Assets	11,071	10,607	9,223	8,836
Paid-in Capital	2,676	2,726	2,229	2,271
BIS Capital Adequacy Ratio (%)	14.8	14.7	14.8	14.7

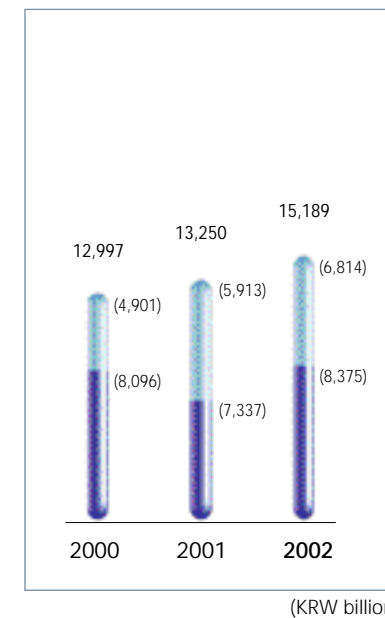
* Adjusted according to the new accounting standard

** The U.S. dollar amounts are provided herein as supplementary information solely for the convenience of the reader at KRW1,200.4 : US\$1 on December 31, 2002.

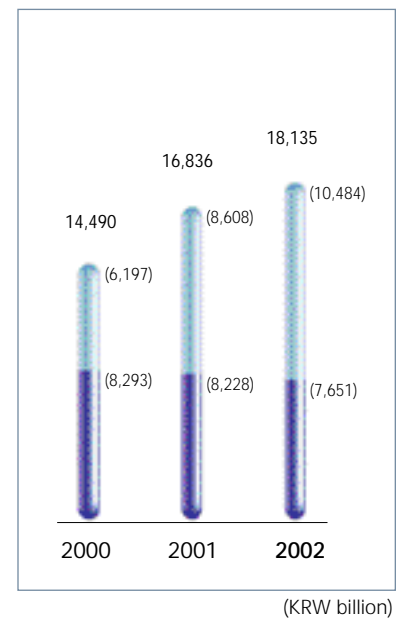
Total Commitments



Total Disbursements



Year-end Outstanding



Legend: Guarantee (light blue), Loan (dark blue)

Message from the Chairman & President



The year 2002 saw major worldwide efforts to deal with the global downturn of 2001. Notably successful in those efforts was Korea, which not only recovered but also sustained output growth of 6%, thanks to its broad restructuring program in place since the 1997 financial crisis.

The past year has also been productive for the Bank. Financing activities marked the highest level in its history reaching KRW15.2 trillion, an increase of 14.6% from the previous year. In particular, the forfaiting business, introduced in late 2001 to absorb risks involved in transactions with relatively high-risk countries, was operated in earnest. The Bank launched a new lending program for small and medium-sized enterprises (SMEs) to hedge their foreign exchange risks arising from borrowings denominated

in foreign currencies. Thus, the Bank further strengthened its role as a risk-taker and creative leader supporting international transactions.

The Bank also supported ship exports with improved financial terms and conditions in line with the revised "Sector Understanding on Export Credits for Ships" under the "Arrangement on Guidelines for Officially Supported Export Credits", which went into effect on April 15, 2002. The applicable interest rate was changed from a fixed rate of 8% to a commercial interest reference rate (CIRR), and the maximum repayment term was extended from 8.5 years to 12 years. In addition, structured finance was provided to ship buyers, whereby the

Bank created diverse financial terms and conditions in accordance with buyers' needs, subject to WTO and the Sector Understanding.

Such notable achievements can be attributed to staff's efforts to meet the market demands through customer-centered and market-driven financing, a strategy I have stressed since my appointment as Chairman and President of the Bank.

Besides this remarkable performance in its operation, the Bank took meaningful steps forward in the area of organization and management last year. To strengthen the Bank's competitiveness and efficiently respond to the ever-changing business environment, the Bank reorganized its structure, following a recommendation by Arthur Andersen,

a global leader among consulting firms. The reorganization was focused on reinforcing the Bank's ability to provide medium- and long-term financing, one of its core businesses. Meanwhile, five new board members replaced outgoing members. Looking to the future, the Bank will commit itself to knowledge-based management, the new paradigm of 21st century business management.

Considering the geopolitical uncertainties, the outlook for global economic growth in 2003 appears dim. The future of the Korean economy is also unpredictable, depending on the outcome of the US-Iraq war and the North Korean nuclear issue, among others.

Recognizing the importance of the Bank's role in the Korean economy under all challenges, the Bank has set an ambitious operating target for 2003 to extend KRW16 trillion of credit. Part of the goal is to explore emerging markets and to prioritize high value-added industries such as information technology (IT) and biotechnology (BT). Paramount among the Bank's goals is prompt and unparalleled service that meets the diversified needs of clients everywhere.

Mitigating risks and sharing knowledge are vital for enhancing the quality of the Bank's credit services. Now, after a year of preparations, the new computerized system, called the next-generation information system (NGIS), has been completed. It provides a specific program for mitigating the Bank's increasing risks in proportion to credit volume. The NGIS will also expedite the sharing of knowledge that is gathered by staff members.

The Economic Development Cooperation Fund (EDCF) and the Inter-Korea Cooperation Fund (IKCF) are operated under the auspices of the government. To support both

Funds, the government will commit additional contributions of KRW80 billion to EDCF and KRW300 billion to IKCF, respectively.

Regardless of the circumstances, the Bank will make every effort to meet challenges and to promote economic cooperation with other countries under the new "Participatory Government" of Korea, which was inaugurated in February.

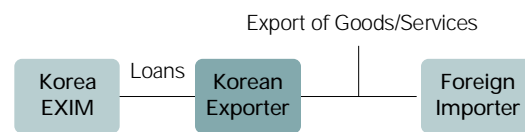
A handwritten signature in black ink, reading "Young-Hoi Lee". The signature is fluid and cursive.

Young-Hoi Lee
Chairman & President

Bank's Program Outline

Financing Programs for Export

Loans to Domestic Suppliers



Loans to Domestic Suppliers

Export Loan

Loan to Korean exporters that execute the export of capital goods such as industrial plants, ships, and industrial machinery

Technical Service Credit

Credit to Korean companies that export technical services, including overseas construction projects

Small Business Export Credit

Credit to SMEs that manufacture exporting goods or supply materials to primary exporters

Rediscount on Trade Bills

Trade financing to domestic commercial banks in the form of rediscounting trade bills already discounted by commercial banks for exporters

Forfaiting

Trade financing to Korean exporters in the form of discounting trade bills gained from transactions with developing countries without recourse or additional collateral

Loans to Foreign Buyers



Loans to Foreign Buyers

Direct Loan

Loan to foreign buyers that purchase Korean goods or technical services, in which the Bank directly enters into loan agreements with foreign buyers

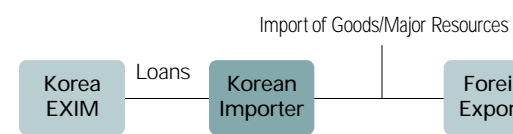
Project Finance

Loan to foreign project companies that import plants, equipment, and technical services from Korea for the promotion of greenfield projects

Relending Facility

Line of credit to creditworthy banks in foreign countries to help foreign buyers obtain loans for the purchase of manufactured goods from Korea

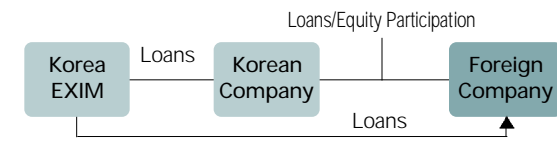
Financing Programs for Import



Import Credit

Credit to Korean importers that import essential materials and major resources, of which stable and timely supply is required for Korean economy

Financing Programs for Overseas Investment



Overseas Investment Credit

Credit to Korean companies that invest abroad in the forms of equity participation or long-term loan

Overseas Project Credit

Credit to Korean companies engaged in business outside Korea to procure materials required for installing, expanding, and operating equipment or facilities abroad

Overseas Business Credit

Credit to foreign companies, in which a Korean company has an equity share, for purchasing equipment or working capital

Major Resources Development Credit

Credit to Korean companies that explore natural resources and acquire mining rights abroad

Guarantees and Other Support



Financial Guarantee

Guarantee to co-financing banks that provide loans to transactions that satisfy the Bank's eligibility

Project Related Guarantee

Guarantee to foreign importers or exporters for the performance of the eligible projects, in the forms of bid bond, advance payment bond, performance bond, retention bond, etc.

Interest Rate Support

Support to financial institutions that co-finance export credit with the Bank at CIRR in accordance with the OECD Guidelines

L/C Confirmation Facility

Facility to ensure confirming L/Cs, which are issued by foreign banks in developing countries, in favor of Korean exporters in relation to export transactions

Non-financial Programs

Country Information Service

Service on diverse and timely economic information on many countries worldwide by operating Overseas Economic Information System (OEIS) on the Bank's web site

Export Credit Advisory Service (ECAS)

Financial consulting and information service on the country, industry, and market of the importing countries that are needed in the early stage of the tendering process or contract negotiations

Consulting Service

Service related to international contracts or transactions provided by in-house lawyers

Major Events of the Year 2002

Changes in Top Management

The year 2002 saw major changes in the Bank's top management.

Starting in March, Mr. Il-Sung Shin was newly appointed as Auditor of the Bank for a three-year term. Mr. Shin served as Aide to Deputy Prime Minister and Minister of Finance & Economy before the appointment.

In April, Mr. Jin-Ho Kim was appointed as Executive Director of the Board of Directors succeeding Mr. Hyun-Chul Shin. Prior to his appointment, Mr. Kim was Director General of Overseas Economic Research Institute.

Finally in May, four members were changed. Mr. Gyu Lee was promoted from Executive Director to Deputy President, and Mr. Tae-Hee Kim, Mr. Sang-Kyun Jo, and Mr. Dong-Kwan Kim were appointed Executive Directors. Mr. T. Kim had previously served as Director General of Busan Branch (Yeongnam Regional Headquarters), Mr. Jo Director General of Human Resources Department, and Mr. D. Kim Director General of Export Credit Group.

It was notable that most of the new members were from inside personnel, contributing stability and continuity to the operations of the Bank.

Rearrangement of Organizational Structure

In February, the Bank rearranged five lending departments into four big groups in conformity with its credit types. The four groups are Export Credit Group, Trade Finance Group, SME Export Credit Group, and Overseas Investment Credit Group. Within each group, employees are divided into several teams to enhance efficiency in serving client companies. It was implemented according to the advice on organizational human resources management offered by Arthur Andersen, one of leading consulting firms.

The aim is to meet the changing managerial environment and improve competitiveness as an ECA. The classification of the Bank's operation into four groups is based on customer-oriented mind, which enables its clients to easily contact and utilize the Bank according to their needs. Moreover, the groups take more responsibility for their operations, and offer more specialized financial services to their clients. The team-based management within each group will help it develop human resources efficiently and shorten the decision-making procedure.

Reopening of Moscow Representative Office and Cooperation Agreement Signed with Bank for Foreign Trade

The Bank reopened its Moscow Representative Office in November, the first among Korea's financial companies to do so after the financial crisis in the late 1990's. It is eager to use the office as a window to promote economic relationship between the two countries, and expects to actively provide financial services not only to Russia but also to CIS such as Kazakhstan and Uzbekistan. The first Moscow Representative Office was closed in November 1998 as part of the organizational restructuring process during the financial crisis.

On the day of reopening, Korea Eximbank and Russia's Bank for Foreign Trade signed a cooperation agreement. The agreement is composed of two parts, which are master trade related program and information exchange.



Improvements to Credit Policy

On February 28, 2002, the National Assembly approved an amendment to the Export-Import Bank of Korea Act, making it possible for the Bank to be more active in dealing with changes in international trade and financial situations, and stronger in its complementary role to the commercial banking sector. The key change of the Act lies in foreign exchange service becoming a regular operation of the Bank, which, together with the financing programs, will diversify methods of supporting foreign trade and be more efficient in helping international businesses be less complicated.

In addition, the Bank reformed the terms and conditions of export credits for ships as "Sector Understanding on Export Credits for Ships" of the OECD Guidelines was revised. The interest rate was changed from 8% to CIRR, and the maximum repayment term was expanded from 8.5 years to 12 years. Also, the Bank plans to broaden the scope of the financial program, including structured finance, to ship buyers abroad. This improvement of the program was designed to respond to the growing demand for ships in the future.

Multilateral L/C Confirmation Facility Signed

At the 8th Annual Meeting of Asian ECAs held in Kuala Lumpur, Malaysia in August, the Agreement for Multilateral L/C Confirmation Facility was signed by ECAs from six countries, including India, Indonesia, Japan, Korea, Malaysia, and Thailand.

According to the facility, the signing counterparts are to provide confirmation or guarantee for L/Cs related to export-import transactions among the participating countries. Korea Eximbank first brought up the need for such a facility at the 7th Annual Meeting held in Seoul to promote more stable trade activities in the region. The objectives of the facility are to reduce the risk in collecting bills, activate financial services for trade, enhance cooperation within the region, and encourage intra-regional transactions.



Korea Eximbank's Euro Bond Sale Signed



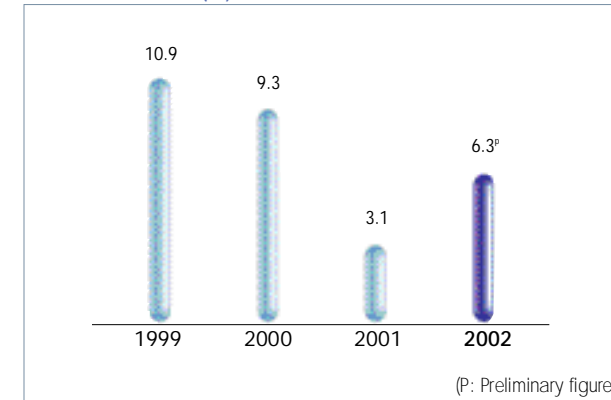
In November, the Bank's Euro bond deal was issued at 5-year U.S. Treasury yields plus 127 basis points in London, the lowest spread since the financial crisis. The deal was sized up to US\$700 million from the original US\$500 million as it distributed well in the European and Asian markets and investors showed keen interest, resulting in strong over-subscription. ABN AMRO, Barclays Capital, and UBS Warburg acted as lead managers and book runners.

The success of the new deal can be attributed to good timing of positive sovereign ratings by Moody's and successful road shows in Hong Kong, Singapore, and London. Aside from Japan, Korea Eximbank's US\$700 million Euro bond is the largest for a single Asian institution to issue in the Euro bond market. The composition of the investors is 62% Asia (excluding Japan), 33% Europe, and 5% Japan.

Economic Situation in 2002

Korean economy experienced a relatively healthy growth in 2002 with the GDP growth expected to post around 6.3% in the face of a sluggish world economy. Mainly due to the success of the economic restructuring program initiated in the wake of the 1997 financial crisis and the underlying dynamism of the economy, Korea succeeded in escaping from the downward trend of its year-on-year GDP growth rate.

Real GDP Growth (%)



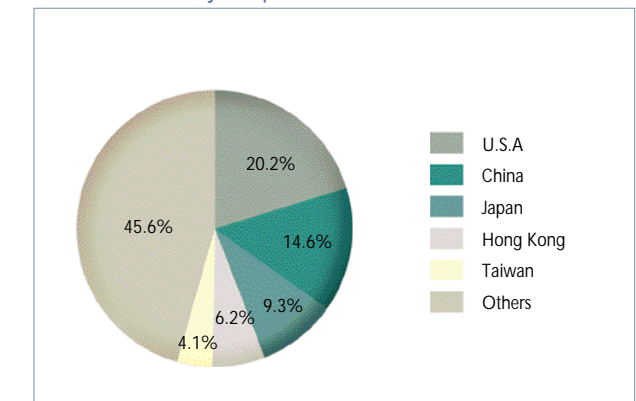
Export Trends in 2002

Exports in 2002 rose 8.0% from the previous year to US\$162 billion, while imports increased 7.8% to US\$152 billion. The general improvement in the unit prices of exports, especially those of automobiles, iron and steel, and petrochemical products, contributed to the relatively high growth rate of exports in 2002.

Exports of IT related products such as telecommunications equipment, semiconductors, computers, and automobiles continued to be strong while those of the so-called conventional products such as textile products remained weak. Exports of wireless telecommunications equipment, in particular, increased by more than 38%, posting US\$13.6 billion. Exports of semiconductors and computers remained robust, increasing by more than 15% in 2002. Due to the sharp increase in exports of wireless telecommunications equipment, the share of the five major export products out of the entire exports soared from 38.9% in 2001 to 42.4% in 2002.

Korea's exports to five major trading partners grew slightly to 54.4%, mainly due to the sharp increase of 30.6% in exports to China. Exports to the European Union also increased by 10.5% and to ASEAN countries by 11.8%, thus posting double-digit growth from the preceding year. However, those to the U.S. rose by a meager 5% while exports to Japan declined by 8.3%. A contraction also occurred in Latin America, which saw a decline of 8.9% in 2002.

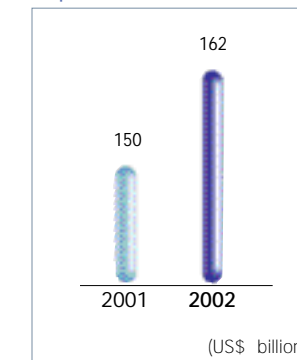
Shares of Five Major Export Markets



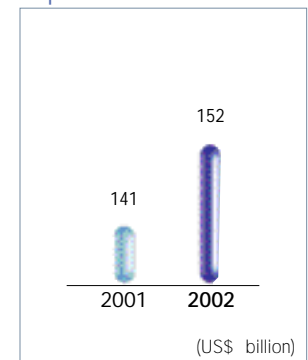
Import Trends in 2002

Steady growth of exports and the increase in the unit price of major capital goods and raw materials played a major role in the increase of import amounts by 7.8% in 2002. Imports of machinery, petrochemical products, and farm products grew by more than 10%, while those of oil contracted by 10% largely due to the stabilization of oil prices during the year.

Exports



Imports



2002. Posting a US\$3 billion trade surplus in 2002, Korea's cumulative trade surpluses of more than US\$94 billion from 1998 to 2002 offset the entire trade deficit of US\$89.8 billion accumulated since the establishment of the Korean government in 1948.

Trends of Major Industries in 2002

Shipbuilding Industry

Korea exported US\$10.5 billion worth of ships in 2002, up 8.7% from a year earlier, the first time in thirty-three years that the amount of the nation's ship exports broke the US\$10 billion mark.

Korea began exporting ships in 1969 by delivering twenty deep-sea fishing trawlers to Taiwan, and entered the international shipbuilding market in earnest in 1974 when Hyundai Heavy Industries exported a large-scale oil tanker. Overseas shipment of ships posted US\$7.5 billion in 1999, US\$8.2 billion in 2000, and US\$9.9 billion in 2001.

In 2002, the proportion of ship exports increased to 6.7% of the total exports, up from 6.6% of the previous year, making them Korea's fourth largest export item.

Korean shipyards constructed a total of 210 ships in 2002, and shipped 209 of them to twenty-six countries. Of them, Greece bought the most with sixty, followed by Germany with thirty-four and Italy with twenty-one.

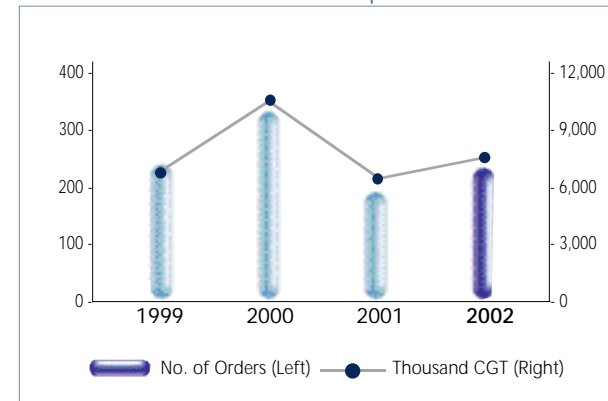
Orders for shipbuilding remained weak throughout the first nine months of 2002, recording a fall of 28.9% compared to the preceding year. However, they surged in the last quarter, pushing the annual growth rate up to 18.5%. In December alone, the nation received orders for 2.2 million CGT (compensated gross ton) of new ships.

Ship construction also set a new record in 2002, following 2001 with 6.8 million CGT.

For 2003, it is projected that orders and construction of ships

will maintain similar levels to those of last year with 7.5 to 7.7 million CGT and 6.8 to 7.0 million CGT, respectively, while exports are expected to increase to US\$10.7 billion.

New Orders Placed with Korean Shipbuilders



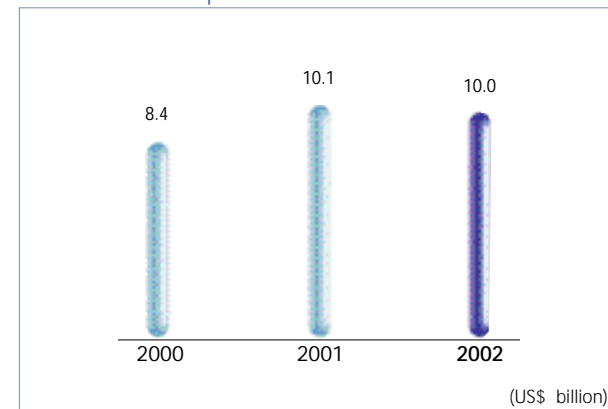
Industrial Plants Industry

Overseas plant contracts secured by Korean firms during 2002 totaled US\$10.0 billion, down 0.9% from the US\$10.1 billion in 2001, but more than US\$2.8 billion in 1998, US\$4 billion in 1999, and US\$8.4 billion in 2000.

By region, the largest portion with 49.1% of orders came from the Middle East, up 15.7% from the previous year, followed by Africa with 18.7%, up 0.6% from the preceding year.

On the other hand, the proportion of orders from Asia and North America declined to 23.5% and 6.7% from 25.3% and 15.6% a year earlier.

Industrial Plants Exports

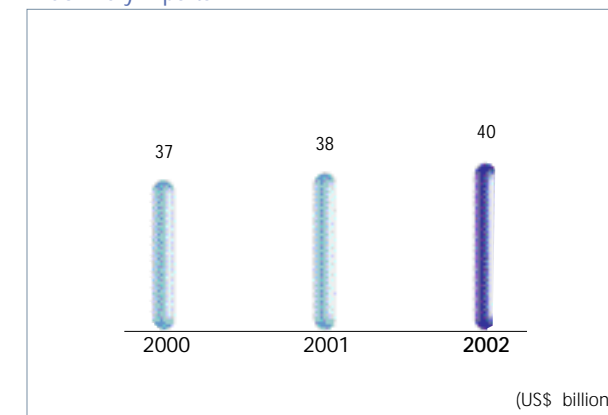


Though there are some variables such as the Middle East crisis, it is forecasted that overseas plant contracts for the year 2003 would be about US\$11 billion, up around 10% from 2002. The estimated amount includes US\$5 billion from the Middle East, US\$2.5 billion from Africa, US\$2 billion from Asia, and US\$1.5 billion from North & Central America.

Machinery Industry

Exports of machinery by Korean companies in 2002 reached US\$40.0 billion, a 5.3% increase compared to the previous year. Exports of transportation machinery and general machinery in 2002 grew by more than 10%, occupying 76% of total machinery exports. Exports of machinery in 2003 are expected to reach US\$43.2 billion.

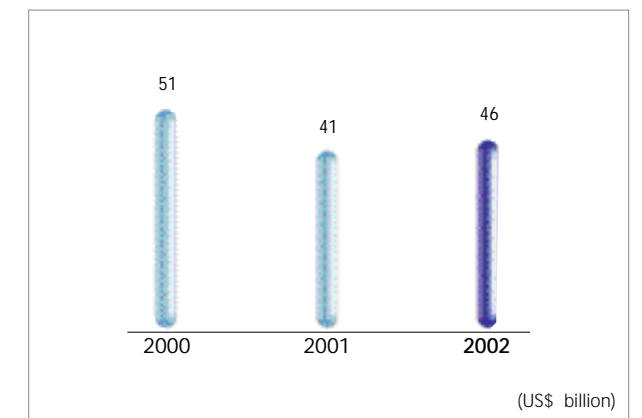
Machinery Exports



IT Industry

Exports of IT related products in 2002 reached US\$46.1 billion, taking 28.5% of the entire exports. Continued efforts to develop new export items and new target countries made a more than 12% increase in IT related exports in 2002 possible. Shares of wireless telecommunications equipment, LCD monitors, and notebooks soared, while those of semiconductors remained weak.

IT Products Exports



Conclusion

With the US-Iraq war and concern over North Korea's nuclear ambition, the outlook for Korean economy does not seem to be better than last year. However, the year 2003 is expected to mark another meaningful turning point in Korea's economic history with the inauguration of the 16th President Roh in February 2003. In the face of possible global depression caused by continued poor performance of the major countries, President Roh's new government promised ongoing structural reforms, capitalizing on growth potential by nurturing high-tech industries, and driving the main growth engine of the Korean economy, exports and imports, at full throttle.



Bank Operations

Overview

During 2002, the Bank endeavored to provide a financial solution to Korean companies engaged in foreign transactions with developing countries, through which the Bank could promote the export of capital goods. In addition, the Bank also made an effort to create new financial programs that were not provided by Korean commercial banks but essential to exporting companies.

In 2002, the Bank provided total credits of KRW15,189 billion, KRW8,375 billion as loans and KRW6,814 billion as guarantees, equivalent to US\$12,653 million, 14.6% more than that of a year earlier. This recognizable operational record was the largest in the Bank's history since its establishment in 1976.

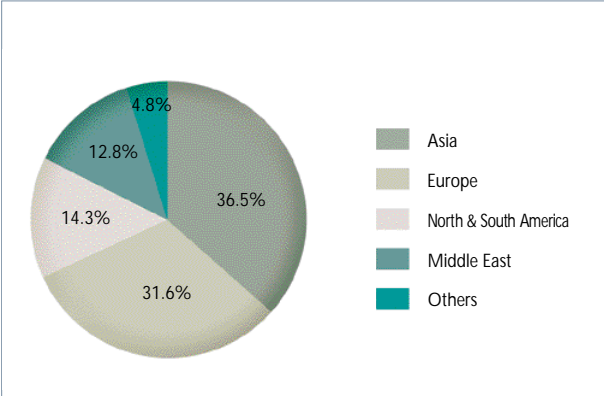
The increase in loan disbursements can be attributed both to import credit and overseas investment credits, which increased by 306.5% and 160.1%, respectively, from a year earlier. The disbursement of export credits also increased by 5.8% from the previous year.

The disbursement of import credit grew mostly due to the enhanced financial demand for raw materials, which were utilized for exports and domestic consumption. On the other hand, the increase in disbursements of overseas investment

credits was possible thanks to the stable growth of Korean firms' overseas direct investments that had shrunk since the Asian economic crisis.

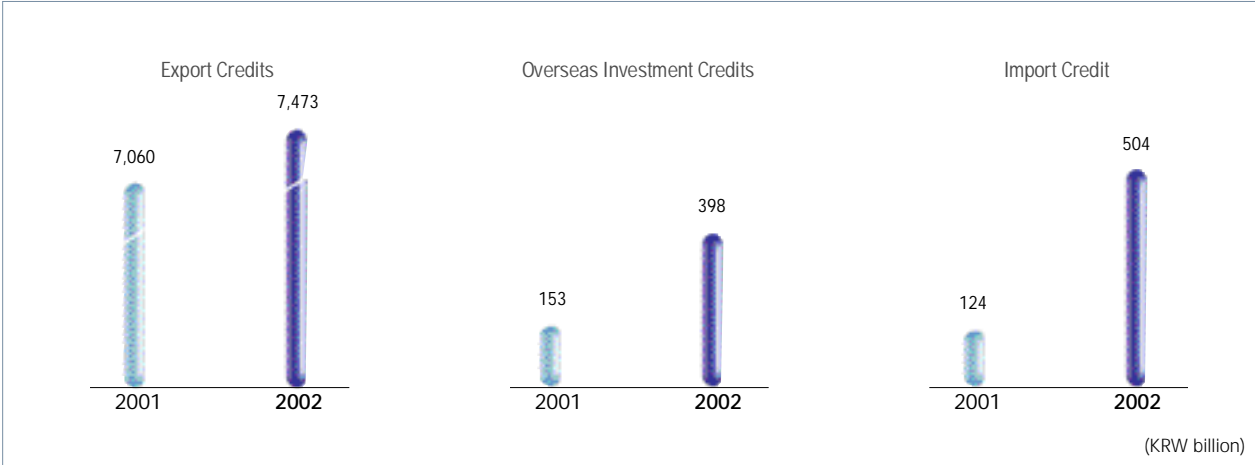
Regionally, Asia occupied the largest share with 36.5% of the Bank's total loan disbursements, followed by Europe, North & South America, the Middle East, and other regions with 31.6%, 14.3%, 12.8%, and 4.8%, respectively.

Loan Disbursements by Region



Meanwhile, the Bank's credit commitments were KRW16,589 billion, up 4.4% from a year earlier, KRW7,541 billion as loans and KRW9,048 billion as guarantees, 86.6% of which were in the form of advance payment guarantee.

Loan Disbursements by Financing Programs

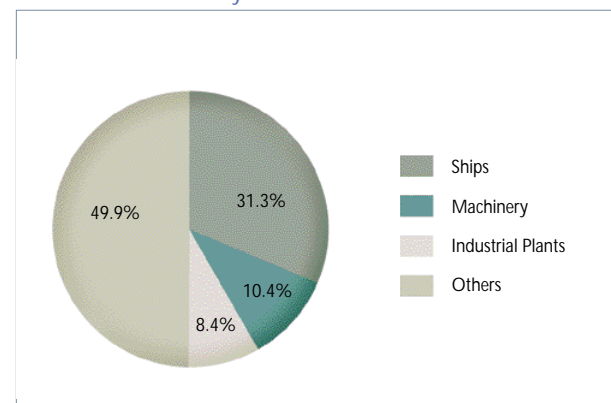


Export Credits

Export credits, whose total disbursement in 2002 was KRW7,473 billion, had always been the biggest contributor to the Bank's loan disbursements, comprising more than 95% of the whole. In 2002, however, the share decreased to 89.2%.

By items, ships took the biggest share with KRW2,337 billion, more than 30% of the total disbursement of export credits, followed by machinery with KRW776 billion (10.4%) and industrial plants with KRW628 billion (8.4%).

Loan Disbursements by Item



Conversely, because of the decrease in authorizations for ships and industrial plants, the Bank's commitments on export credits in 2002 did not show a good result, down 16.9% to KRW6,527 billion, compared to 2001.

The decrease of commitments in export credits was not because of the decrease in the export amount of ships and industrial items which have been the major beneficiary of the credits, but because of the downward trend of the international market interest rate and decreased financial demand from exporting companies. Major Korean exporters were reluctant to use bank loans, instead they preferred raising funds from direct markets which was possible due to their successful corporate restructuring.

As for the regional shares of export credit disbursements, Asia was the highest at 36%, Europe stood at 27%, the Middle East

14%, North America 8%, and other regions 15%. In terms of commitments, Asia also took the first at 40%, followed by Europe 30%, the Middle East 11%, North America 9%, and other regions 10%.

Direct Loan

By the Bank's direct loan program, or buyer's credit, exporters are able to reduce their debt ratios simultaneously with settling export transactions immediately after they perform the obligations of export contracts. Exporters prefer buyer's credit because of these benefits, and it has constituted a major part of the Bank's medium- and long-term export credit performance.

In order to facilitate buyer's credit, the Bank made an important alteration to the program. Within country exposure limits, the Bank is to provide direct loans to all export transactions based on sovereign risks with certain ratings, while at the same time more actively undertake corporate risks. To back up corporate risk transactions, the Bank is going to set up a credit rating team that will conduct credit analysis of foreign corporate buyers in 2003.

Furthermore, the Bank tried to provide a line of credit to major foreign customers to simplify the authorization procedures. Such endeavor culminated in MOUs for a line of credit with major foreign buyers like National Iranian Oil Company (NIOC) of Iran and Petroleos Mexicanos (PEMEX) of Mexico, which are expected to contribute to the Bank's operational result.

Regionally, Asia had been a main customer of Korean industrial plant exports. However, the Middle East surged after the Asian economic crisis, and became the major industrial plant importer. This tendency kept up during 2002, and the biggest customers of direct loan were from both the Middle East and South America.

In December, Indonesian e-government project was authorized as a buyer's credit by the Bank's Credit Committee, with a total project cost of US\$73 million, of which 85% will

be supported by the Bank. As part of Korea-Indonesia economic cooperation in IT sector, the project was promoted by the information & communication ministries of the two countries. The project is to set up the basic foundation for e-government system such as network infrastructure for the stable supply of public information services. To implement the project, Indonesian Ministry of Information & Communication established a project company, PT. Prima Infokom Indonesia (PII), with investments from related public communication companies such as PT. Telkom and PT. PLN. Two Korean companies, KT Corporation and Ssangyong Information & Communication Corp., formed a consortium and made a supply agreement with PII in December 2002. KT is to provide a super-speed internet system design along with infrastructure installation, and purchase, install, and test run the equipment as well.

Project Finance

Export transactions being supported by project finance were not active in 2002, as developing countries had not fully recovered from the economic crisis.

However, important changes related to project finance were made by the Bank. Two project finance teams were newly organized to confront the shift of the capital export market environment in which the traditional government-backed export finance was substituted by project finance. Also, the Bank further expanded project finance support for overseas investment transactions to facilitate Korean companies' overseas resources development.

In 2002 for the first time in its history, the Bank authorized structured finance for the export sale of a vessel. This was possible because the OECD Sector Understanding on Export Credits for Ships had been changed in favor of the borrower. Interest rate was changed from 8% to CIRR, and maximum repayment term was expanded from 8.5 years to 12 years.

When the world economy, especially that of developing countries, recovers from the recent recession, project finance support is expected to grow in oil and gas development

projects and petrochemical and power projects. Structured finance is also expected to be utilized in shipbuilding.

In November, the Bank took part in a US\$40 million project finance for SK Eurochem Sp., a joint venture company established in Poland. The term loan, which was co-arranged with EBRD, is composed of a US\$20 million Korea Eximbank loan, US\$15 million EBRD loan, and US\$5 million loans from local banks of Poland. The co-arranged facility was the first instance where the Bank and EBRD worked together since the Framework Agreement on Co-financing was signed between the two institutions in April 1993.

Project Finance for Oil and Gas Projects in Mexico

In 2002, the Bank signed an MOU with Petroleos Mexicanos (PEMEX), establishing a US\$300 million line of credit for export credits aimed at promoting cooperation between the two nations. The line of credit is designed to promote the export of Korean capital goods and services necessary for oil and gas projects to be developed and implemented by PEMEX in Mexico. According to the MOU, the lender's financial assistance is not based on a payment guarantee from the Mexican government or its central bank but on PEMEX's own credit. PEMEX, one of the leading oil companies in the world market, was established by the Mexican government in 1938 as the nation's largest oil company.

In 1999, together with the Export-Import Bank of the United States (USEXIM), HERMES of Germany, and other international commercial banks, the Bank approved US\$200 million in project finance to support an oil refinery project in Mexico ordered by PEMEX. The total amount of the project was US\$1,631 million. The project is part of a strategic modernization program by PEMEX to repair outworn oil refinery factories and install additional facilities. SK Engineering & Corporation of Korea and Siemens AG of Germany participated in the project.

In addition, with the participation of USEXIM and eight other international commercial banks such as Citibank and Fuji Bank, in 2000, the Bank extended US\$54 million in project finance to help Samsung Engineering Corporation export oil refinery facilities in the modernization program executed by PEMEX.

PEMEX plans to make investments in oil and refinery development sector on a large scale. Therefore, the Bank expects the MOU to be the basis for promoting Korean companies' export of machinery and capital goods in oil and refinery development projects in the future.

Relending Facility

Relending facility has been given to financial institutions in developing countries to facilitate small and medium export transactions. In 2002, more than half of the disbursements of the facility were provided to support small and medium businesses.

The facility, which had not been active due to the economic recession in Central & South America where the demand for the credit was high in the past, resurged in the 2000s owing to the marketing activities of the Bank.

In 2002, disbursements were increased by 50% from a year earlier, mostly to the Middle East and CIS.

With seven lines of credit newly extended, the total volume of credit lines at the end of 2002 expanded to US\$761 million in twenty countries from US\$546 million in fifteen countries in 2001. New credit lines were established in North African countries such as Egypt and Morocco.

The Bank will make every effort to promote small and medium export transactions by setting up new credit lines in East Asia and Central America areas where this type of financing program is expected to be used most actively.

Forfaiting

The Bank launched a new program in early September 2001 targeted at promoting short-term exports to developing countries, particularly to enhance Korean exporting companies' competitiveness in the global market.

Forfaiting, a major service provided through the program, is designed to help exporting companies whose bills of exchange related to transactions with developing countries are not readily accepted by domestic commercial banks due to credit risks. The Bank negotiates the bills of exchange issued under usance L/Cs without recourse or additional collateral.

Forfaiting is useful for small exporters with a low credit rating, and the total financial cost is predictable, for the discount rate

is fixed in advance.

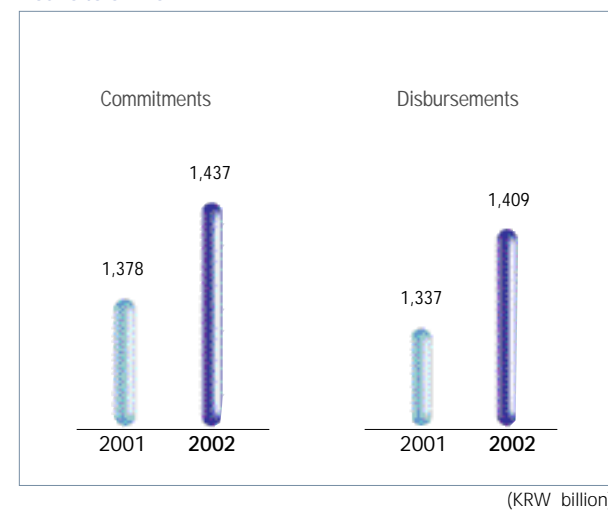
Although forfaiting was introduced only recently, the total volume increased to KRW168.6 billion in 2002, and is expected to grow to KRW188.2 billion in 2003, due to rising demand.

Loans to SMEs

With the understanding of the importance of export credits support to small and medium-sized businesses, the Bank made every effort to expand exposure to SMEs, which resulted in maintaining balance in providing financial support between SMEs and large companies.

In 2002, the Bank's total loan commitments to SMEs were KRW1,437 billion, and total loan disbursements KRW1,409 billion, up 4.3% and 5.4% from a year earlier, respectively.

Loans to SMEs



To help SMEs evade currency risks, export credit with the currency option to convert from USD or YEN to KRW was introduced in July 2002. With this improvement in the financing program, small business export credit authorizations amounted to KRW1,012 billion, a 13.1% increase over the previous year's performance.

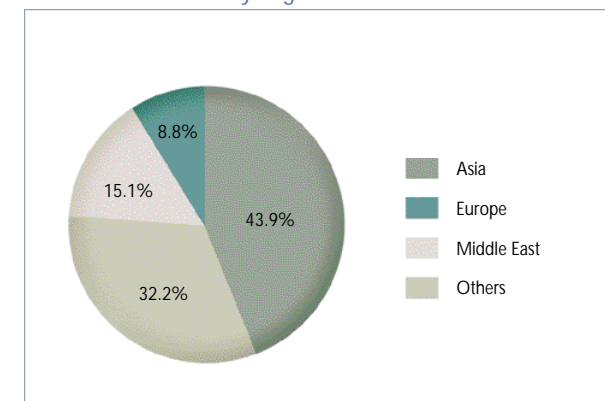
Overseas Investment Credits

The Bank's disbursements and commitments of overseas investment credits in 2002 demonstrated an outstanding performance with disbursements increased by 160.1% to KRW398 billion and commitments by 257.4% to KRW529 billion, compared to those in 2001.

Taking into account that direct overseas investments of Korean firms did not increase in 2002, this huge operational performance was possible thanks to the Bank's efforts to revitalize the program by incorporating customers' needs.

Regional distribution of disbursements and commitments of the credits were almost the same as those in the previous year. Asia stood at the top with more than 40% in both disbursements and commitments, followed by Europe with 32.2% in disbursements and 30.1% in commitments, and the Middle East with 15.1% in disbursements and 18.2% in commitments.

Loan Disbursements by Region



Besides, in accordance with the Korean firms' growing interest in developing overseas resources, the Bank made a new team in the Overseas Investment Credit Group to be solely devoted to supporting overseas resource development activities.

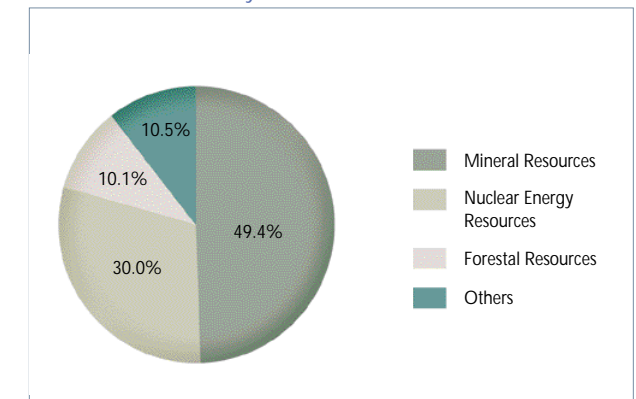
Import Credit

Import credit, which was introduced in 1988, had shown weak performance, and its share was just around 1% of the

Bank's total loan disbursements. Import credit disbursements in 2002, however, increased to KRW504 billion, or 6.0% of the Bank's total loan disbursements, the highest level since it was introduced.

Such a steep increase was mostly due to the increased financial demand for raw materials used for exports and domestic consumption. In addition, the Bank's efforts to improve the program also contributed to the achievement, as it expanded the eligible items and launched a revolving line of credit program.

Loan Disbursements by Item



By type of imports, mineral resources accounted for 49.4% of the total disbursements with KRW249 billion, followed by nuclear energy resources 30.0% with KRW151 billion and forestal resources 10.1% at KRW51 billion.

By region, Asia took the largest portion with 43%, followed by North America 37%, Oceania 8%, and others 12% on the disbursement basis.

Guarantees

Before 1997, the Bank's export credit support had mostly been conducted in the form of loans. After the Asian economic crisis, however, guarantee operations began to steadily increase mostly due to the relatively high credit rating of the Bank. Foreign contractors accepted project related guarantees issued exclusively by certain banks, including Korea

Eximbank, because the credit ratings of other Korean commercial institutions had deteriorated due to the economic crisis at that time.

In 2002, the guarantee business of the Bank realized a recognizable achievement in terms of commitments, recording KRW9,048 billion, which was even larger than the loan commitments for the year. This was the first occasion when the guarantee authorizations surpassed the loan authorizations since the Bank's establishment in 1976. The actual guarantee issuance also increased by 15.2% to KRW6,814 billion.

By type of guarantees, the Bank authorized KRW7,840 billion in the form of advance payment guarantee, a 14.5% increase from a year before, and KRW628 billion in performance guarantee, a 9.0% increase. These two types of guarantees took approximately 93.6% of the total project related guarantee commitments.

The total outstanding balance of project related guarantee issuance at the end of 2002 reached KRW10,484 billion. By region, Africa was the first with KRW2,672 billion (25.5%), followed by Europe KRW2,559 billion (24.4%) and the Middle East KRW1,918 billion (18.3%).



In addition to project related guarantees, the Bank launched several new guarantee programs in the 2000s such as financial guarantee, interest rate support, and L/C confirmation facility

to support the Korean companies' international transactions. With these newly introduced programs, the Bank expects to meet the diversified financing needs of foreign buyers.

Sources of Funds

The Bank raised a net total of KRW9,639 billion during 2002, a 23.8% increase compared with the previous year's KRW7,784 billion. Most funds raised during the year were self-generated by repayments of the Bank's outstanding loans. The total loan repayments, including prepayments by the Bank's clients during 2002, reached KRW9,104 billion, up 13.4% from KRW8,025 billion during 2001.

Also, the Bank raised US\$210 million and US\$250 million from international financial markets in February and March, respectively, through syndicated loans.

Furthermore, in preparation for the Bank's prepayment of US\$1.1 billion loan from IBRD slated for March 2003, the Bank tapped both the international loan and capital market consecutively in November with a US\$300 million syndicated loan and a US\$700 million Euro bond, respectively.

The year 2002 was a remarkable one in that the Bank successfully returned to the international bond market after a

five-year absence. Following propitious road shows in Hong Kong, Singapore, and London, the Euro bond deal was sized up to US\$700 million from an original US\$500 million owing to strong and solid orders of US\$1.8 billion.

In addition, there was a capital injection of KRW50 billion from the government during the year, the total paid-in capital reaching KRW2,725.8 billion. As a result, the Bank's ownership as of the end of 2002 is 51.6% the government, 42.8% Bank of Korea, and 5.6% Korea Development Bank.

Financial Status

Assets and Liabilities

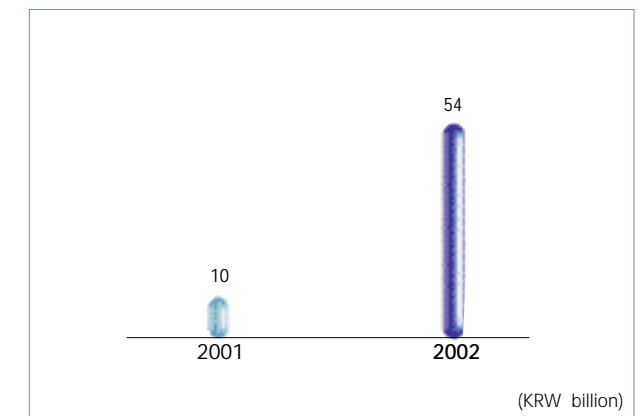
At the end of 2002, the Bank showed KRW10,607 billion in total assets, down 4.2% from the previous year's KRW11,071 billion, and total liabilities amounted to KRW7,797 billion, down 6.1% from the previous year's KRW8,301 billion. The sharp decrease of KRW exchange rate against USD affected the decreases in both assets and liabilities, because the majority of the Bank's assets and liabilities consist of foreign currency loans and borrowings.

Meantime, the net assets of 2002 and 2001 marked KRW2,810 billion and KRW2,770 billion, respectively. There were increases in paid-in capital by the government's KRW50 billion injection and in retained earnings by KRW54 billion, and a decrease in loss on valuation of investment securities by KRW65 billion.

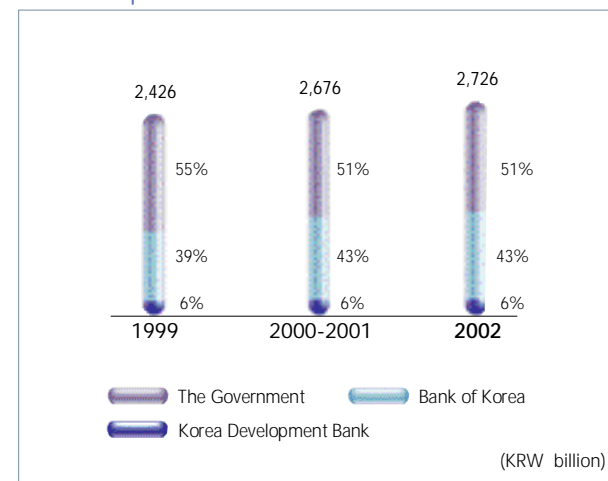
Revenues and Expenses

The Bank's total revenues during the year posted KRW641 billion, total expenses KRW587 billion, and net income KRW54 billion. The net income increased 454.9% from the previous year's KRW10 billion. Though there was a decrease in interest income on loans with a fall in interest rate, the income from guarantee fees and a decrease in interest expense on borrowings contributed to the increase in net income.

Net Income



Paid - in Capital





Government Account Business

EDCF Operations

With the promulgation of the millennium development goals, which aim to eradicate poverty and promote sustainable development, the international community addressed a new partnership between developed and developing countries and cooperation among all stakeholders to attain them.

In keeping pace with internationally agreed development goals, the Korean government has continuously striven to be part of the international community by expanding its official development assistance (ODA) program for sustainable economic development in developing countries. At the same time, the government has made concerted efforts to strengthen its economic cooperation with other developing countries by expanding the quality of its operations and increasing the Economic Development Cooperation Fund (EDCF). On the whole, EDCF's volume of commitments and disbursements greatly increased in 2002 compared to the previous year, with disbursements recording an all-time high.

Development Assistance Activities

In 2002, both commitments and disbursements of EDCF loans largely increased from the previous year, mainly as the result of strenuous efforts by the government to strengthen cooperation with developing countries and continuous growth of loan commitments made in previous years.

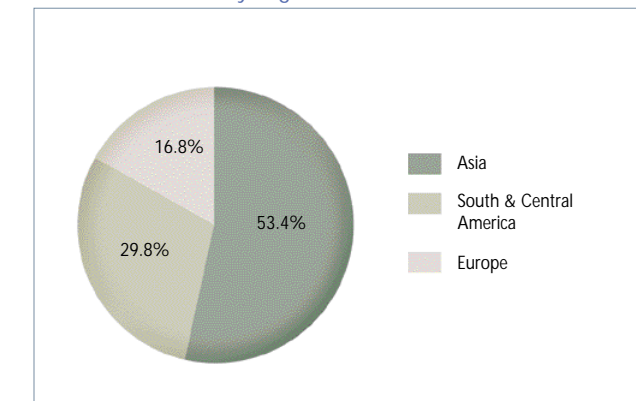
Loan Commitments

The loan commitment amount in 2002 was KRW234.5 billion for nine projects, 48.0% above the previous year's KRW158.4 billion. The largest recipient was Cambodia with a total amount of KRW57.7 billion for two projects. Turkey was the second largest recipient (KRW39.5 billion). Other recipient countries included Ecuador (KRW36.6 billion), Bangladesh (KRW34.1 billion), Costa Rica (KRW33.3 billion), Sri Lanka (KRW21.7 billion), and China (KRW11.6 billion). It should be noted that Costa Rica became a first-time recipient country of an EDCF loan in 2002.

Among the total commitments of KRW234.5 billion in 2002, more than half were made to Asia (53.4%), followed by South

& Central America with 29.8%. As for sector distribution, transport took the major share (35.6%), followed by education (29.7%), water supply (17.9%), and health (16.8%). As the figures indicate, loans for social infrastructure such as education, water supply, and health dominated, accounting for more than half of the total.

Loan Commitments by Region



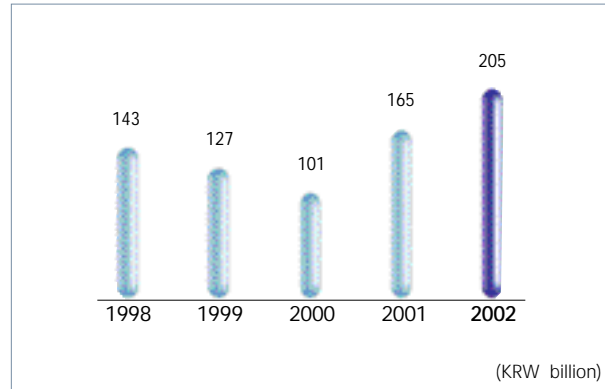
With respect to the destination of EDCF loans by income group, the least developed countries (LLDCs) received KRW91.9 billion on a commitment basis, representing 39.2% of the total. Another KRW69.9 billion or 29.8% went to lower middle-income countries (LMICs), and KRW72.7 billion or 31.0% was made to upper middle-income countries (UMICs).

Loan Disbursements

Loan disbursements during the year amounted to a record of KRW205.0 billion for thirty-three projects in eighteen countries, surpassing the previous high of KRW165.3 billion in 2001, mainly due to the continuous growth of loan commitments made in previous years.

As a result, the outstanding balance of EDCF loans at the end of 2002 stood at KRW923 billion, up 25.4% from a year earlier. In view of the fact that the outstanding balance was 52.1% of the accumulated commitments, there is still room to further accelerate disbursements.

Annual Disbursements of EDCF



Funding Activities

EDCF has depended solely on public resources to fund its assistance activities since its establishment in 1987. Contributions from the general budget account and borrowings from the government's special budget account have been the major sources of funding.

As there had been no such contributions or borrowings since 1997, there was not a large increase in funding in 2002. The increase was due only through interest earnings from domestic operation of the reserves. However, the year 2003 will see a big leap in funding as KRW80 billion from the general budget is scheduled to be contributed during the year.

The fund at the end of the year stood at KRW1,472.9 billion with a net income of KRW36.6 billion. Of the total accumulated amount since 1987, 36.0% came from contributions from the general budget account (KRW529.9 billion), 16.2% were borrowings from the special budget account (KRW238.3 billion), and the remaining 47.8% (KRW704.7 billion) came from reserves.

Workshop for Government Officials from Partner Countries

The 6th EDCF Workshop was held for government officials from developing countries to get acquainted with Korea's development experience and EDCF program, so that EDCF loan projects will be carried out more efficiently and swiftly.

The workshop was held in October at the Bank's head office

and its training center. The participants were high-level government officials in charge of official borrowing in the financial ministries of Bangladesh, Cambodia, Colombia, Indonesia, Mongolia, Morocco, Peru, the Philippines, Tunisia, and Uzbekistan.

During the workshop, the participants attended lectures on Korea's bilateral economic cooperation policy and development experience, and had excursion trips to industrial sites and historical areas. The workshop gave the participants an opportunity to better understand the Bank's EDCF program as well as Korea's development experience.



Other Activities

EDCF continued to seek co-financing with international financial institutions to adopt advanced management techniques and expand its scope of support. In 2002, EDCF supported Bolivia's bridge construction project in cooperation with Inter-American Development Bank (IDB). Also, EDCF participated in mixed-financing projects in cooperation with export credits of the Bank (portable water supply expansion project in Ecuador).

EDCF had policy dialogues with major partner countries to identify new projects more efficiently. Through them, EDCF understood the needs of partner countries and consolidated a communication channel with them. EDCF also participated in most OECD Consultations Group Meetings and Meetings of Participants to discuss trade related aid issues, including commercial viability and untied aid.

For more efficient aid implementation, EDCF Planning Office and EDCF Department were reorganized into EDCF Departments I and II. EDCF Department I is responsible for policy planning, OECD related operations, project appraisal, execution and disbursement of the loans, and post-evaluation of supported projects in Asian countries, including China. EDCF Department II is to manage projects outside Asia.

In addition, EDCF held an open forum on EDCF policy direction aimed at enhancing the quality of assistance to developing countries. The participants all agreed on the importance of EDCF's role in development cooperation, and stressed the need for expansion of the Fund and improvement of the operation for effective implementation.

IKCF Operations

Overview

The Bank has operated the government-entrusted Inter-Korea Cooperation Fund (IKCF, formerly known as SNKCF) since March 20, 1991. The primary function of IKCF, which was established by and operated under the initiative and policy coordination of the Ministry of Unification, is to promote reconciliation and cooperation with North Korea. Since the beginning, IKCF has maintained consistent growth, and in the year 2002, there was as much progress in both funding and financing activities as the previous year.

Inter-Korean Development

After the historic South-North Summit held in 2000, inter-Korean relations entered a phase where reconciliation and cooperation were possible, and there was significant progress in building mutual trust. The year 2002, however, saw the inter-Korean relationship fluctuating in the wake of the anti-terrorism campaign led by the U.S. and suspicion of the international society over North Korea's nuclear ambition.

Nevertheless, economic and socio-cultural cooperation in both the inter-government and the private sector continued and made important progress. Inter-governmental

cooperation projects, such as reconnecting the Gyeongui railway/highway between Seoul and Shinuiju and the East Coast railway/highway between Jeonju and Kosung, were actively promoted to develop the infrastructure and enhance economic ties. Inter-Korean trade and some economic cooperation projects driven by the private sector also showed solid improvement, especially marking progress in the scope of participants and items of business. North Korea also showed a different attitude for economic recovery. They announced a series of economic programs incorporating elements of capitalism, set economic zones in Gyeseong and Mt. Geumgang regions, sent high-level delegates to observe the economic situation of South Korea, and participated in the Busan Asian Games as well.

In 2002, the total volume of inter-Korean trade recorded US\$642 million, a 59.3% increase from US\$403 million of the previous year. With the expansion of trade and socio-cultural cooperation such as the Mt. Geumgang tourism project, reunion of separated peoples and interchange of people increased. The number of South Korean visitors to the North reached 12,979, up 49.9% from last year, and North Koreans who visited South Korea totaled 1,052, the most ever in all years.



Assistance Activities

In an effort to secure economic ties by building up the infrastructure, the construction projects to reconnect the Seoul-Shinuiju railway and build a connecting highway between Munsan and Gyeseong continued to be financed by IKCF. These aid disbursements amounted to KRW26 billion.

The year 2002 saw another vein connected between the South and the North, the decision to rebuild the East Coast railway. For this, the fund disbursed KRW8.5 billion during the year. In addition, KRW21.5 billion for revitalizing the Mt. Geumgang tourism project was financed to support South Koreans' visit to Mt. Geumgang.

IKCF continued assisting humanitarian aid projects. Fertilizer aid was provided through the Korea National Red Cross in the form of a KRW83.3 billion grant for enhancing agricultural productivity. Most of the humanitarian assistance during the year was food aid to relieve the dire food situation in North Korea. The fund disbursed KRW22.9 billion to provide 100 thousand tons of corn through the international organization, WFP (World Food Program). Also the fund loaned US\$81 million to the Foreign Trade Bank of North Korea for 400 thousand tons of rice.

As a result, IKCF disbursements during the year amounted to KRW650 billion for sixty-three projects, and cumulative total disbursements at the end of 2002 stood at KRW2,071 billion, up 45.7% from KRW1,421 billion at the end of 2001.

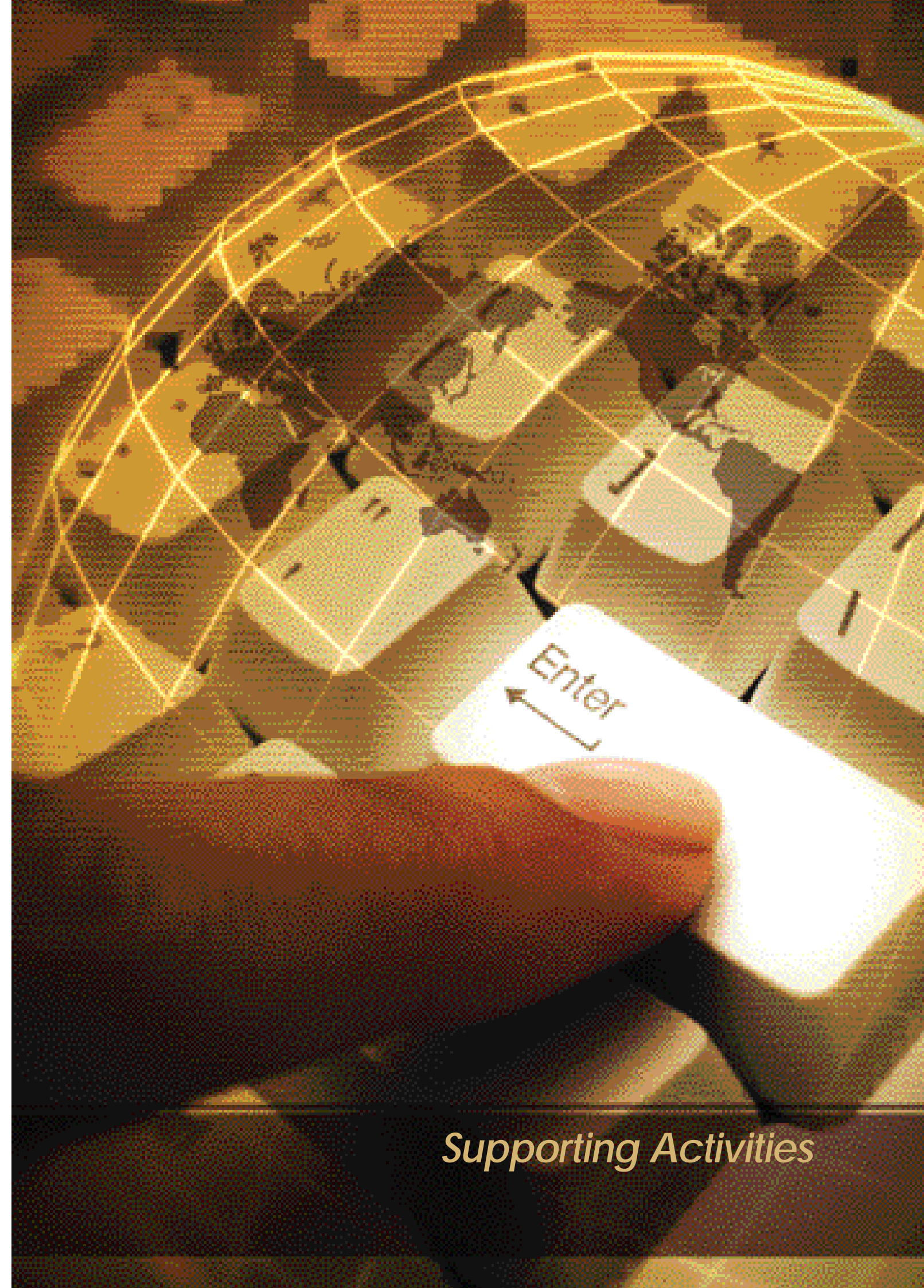
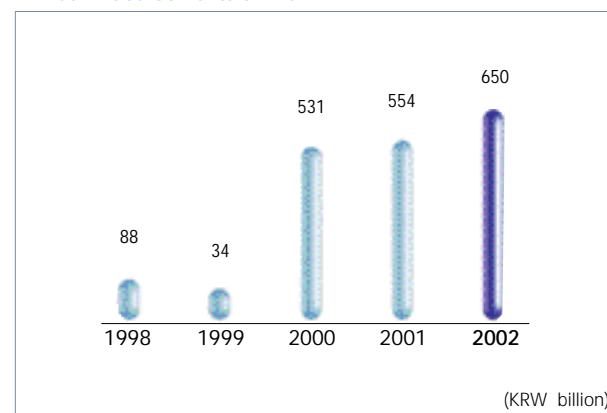
In 2002, the government revised the Guidelines for IKCF Act. The revision streamlines the lending procedures, and improves its terms and conditions so that private sector firms seeking business opportunities in the North can now facilitate much better support from the fund. Further growth of inter-Korean economic cooperation is expected in the following year as a result of this procedural convenience.

Funding Activities

The major funding sources of IKCF are contributions from the general budget account and private sources, borrowings from the Public Capital Management Fund, and reserves and financial returns on the IKCF's portfolio investment.

In 2002, the total amount of IKCF increased by KRW1,037 billion, making the total accumulated resources of IKCF KRW3,092 billion, mostly through contributions by the government. Of the accumulated amount since its inception, 52.6% (KRW1,625 billion) came from contributions by the general budget account, 39.4% (KRW1,220 billion) borrowings from the Public Capital Management Fund, and 8.0% (KRW247 billion) reserves, financial returns, etc.

Annual Disbursements of IKCF



Supporting Activities

Supporting Activities

Cooperation with Other Agencies

The Bank actively promotes mutual cooperation with various agencies through cooperation agreements to provide the best financing services and share experiences and information.

In January, the Bank signed a tie-up pact with Landesbank Hessen-Thüringen Girozentrale (Helaba) of Germany to strengthen cooperation in information exchange and develop other financial supporting mechanisms. The pact is aimed at finding ways of exchanging information that facilitates co-financing arrangement, guarantee setups, and other financing activities. It is expected to provide a broader range of assistance to Korean companies engaged in trade and financial transactions, especially with countries in Eastern Europe.

Korea Eximbank and China Eximbank signed a cooperation agreement in May to promote exchange of information and project cooperation. The two institutions will work together to strengthen mutual relationship, covering such areas as financial cooperation, information exchanges in trade and project finance, personnel exchanges, etc. The agreement was signed at the Asia Development Bank (ADB) Annual Meeting held in Beijing. It is regarded as a significant importance for active works in the future, considering trade between the two countries recording US\$31.5 billion last year.



At the 8th Annual Meeting of Asian ECAs held in Kuala Lumpur, Malaysia in August, the Agreement for Multilateral L/C Confirmation Facility was signed by ECAs from six

countries, including India, Indonesia, Japan, Korea, Malaysia, and Thailand. Korea Eximbank first brought up the need for such a facility at the previous year's 7th Annual Meeting held in Seoul, by which participating ECAs mutually confirm or guarantee L/Cs opened for trade. The facility will contribute to boosting intra-regional trade, considered to be the best method of overcoming unfavorable economic situations and enhancing cooperation within the region.

For smoother export transactions with SMEs in local regions, the Bank made a cooperation agreement on forfaiting with Pusan Bank, Daegu Bank, and Kyongnam Bank in December. Forfaiting is a form of financing to exporting companies, in which the trade bills from export transactions with developing countries are discounted without recourse or additional collateral.



According to the agreement, the local banks take the burden of local risks such as company credit risk and shipping document examination risk, and the Bank takes the foreign risks such as country risk and foreign bank credit risk. SMEs doing business with developing countries are expected to benefit from the agreement.

Workshops and Seminars

The Bank endeavors to seek effective ways to share information and experiences with foreign financial institutions by organizing various workshops and seminars to expand awareness of its activities.

In March, the Bank provided a tailored workshop for a Vietnamese economic development team of government officials, which came to Korea to get information on experiences and techniques gained from Korea's economic development. The workshop included a general presentation on the Bank's role and function, especially EDCF program, and gave an opportunity to enhance mutual cooperation between the two countries.

The Bank hosted the 2nd Consultation Meeting with Japan Bank for International Cooperation (JBIC), setting up a cooperation channel to promote mutual interest of businesses and look for promising co-financing projects. Held in September, the two institutions had an in-depth discussion on collaboration in Free Trade Agreement between Japan and Korea, sharing information and experiences on co-financing in export credit (including One Stop Shop Agreement), and country risk evaluation of major Asian countries. The participants were from the working-level staff of both institutions, and more discussions are to be continued through a regular channel.



In July, a working-level staff team of China Eximbank joined an eight-week training program at Korea Eximbank. The program, which was the first since the Bank's establishment, covered various operations of the Bank such as export credit, risk management and credit rating system, and country risk evaluation methodology. The Bank expects it to improve mutual understanding and cooperation between the two institutions, and build new experience for its staff as well.

The 6th Annual EDCF Workshop was held at the Bank in October. The participants were high-level government officials in charge of official borrowing in the financial ministries of Bangladesh, Cambodia, Colombia, Indonesia, Mongolia, Morocco, Peru, the Philippines, Tunisia, and Uzbekistan. During the workshop, the participants widened their understanding of Korea's development experience and EDCF loan policy and procedures. The Bank expects it to upgrade the nation's image as an aid donor and promote cooperation with the countries of the participants.

In November, the Bank held the 2nd Seminar for the Commercial Counselors' Club in Seoul. Sixteen commercial counselors attended the seminar, mainly from developing countries' embassies. Presentations were made on the Bank's financial services, forex business, and EDCF program. The participants had the opportunity to open up a business channel for future cooperation, discuss ways to strengthen the relationship with one another, and promote mutually beneficial projects.

In association with European Bank for Reconstruction and Development (EBRD), the Bank supported the business conference for high-ranking governmental officials from Central Asia held in Seoul. The objective of the conference was to assist Korean companies find new businesses and investment opportunities in Central Asia such as Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan. At the conference, the Bank had the opportunity to provide useful information on Korean companies' activities in this region and cooperate with EBRD and Central Asian governments.

Research and Information

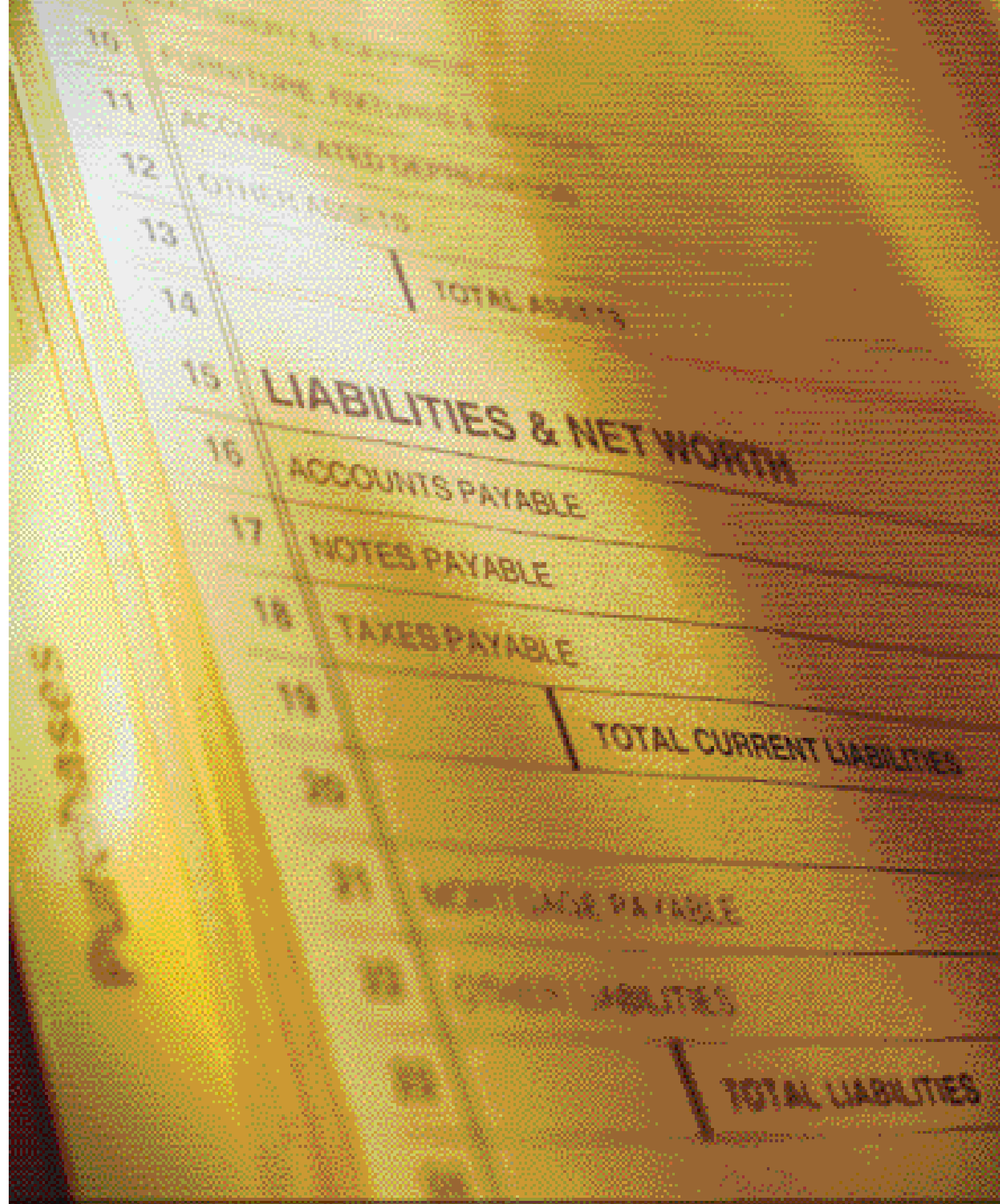
The Bank conducts research on country study, foreign direct investment, and economic issues related to its activities and industries such as ships, industrial plants, oil refineries, etc. It also informs the public of its activity through reports, periodicals, and occasional papers.

The Bank has been focusing on business environment of major trading partners, especially that of China. In January, the Bank published a book titled “Case Study and Business Environment of Overseas Investment in West China”. The book covers business analysis of Korean overseas companies that invested in the region, including business environment and policy on foreign direct investment.

In addition, “Analysis of Korean Overseas Investment Companies in China” was published in January. In this book, the Bank analyzed forty-eight Korean companies that invested more than US\$10 million in China. The analysis is done on financial status, sales structure, and investment effect categorized by the types of industry and holding companies in Korea. The book is expected to help Korean institutions and companies in adopting overseas investment policies or planning to establish new businesses in China.

To boost interest on industrial plants sector in Central Asia, the Bank, in charge of market research team consisting of government officials, published “Market Trends of Industrial Plants in Kazakhstan and Uzbekistan” in August. As a report of market research, it includes market environment on plants and construction, business environment on foreign direct investment, and strategic advice on the expansion of business opportunities in the region.

Moreover, the Bank published “Analysis of Financial Status of Korean Firms’ Overseas Subsidiaries” in December. The booklet analyzes whole financial data ranging from financial status to cash flow of 276 overseas subsidiaries of Korean companies with more than US\$10 million of overseas investment. This is the third edition since 1998, containing financial data on 16 billion or 63.8% of the total Korean overseas investment cases. The Bank distributed the booklet to related institutions and companies to be utilized in setting up an overseas investment policy and strategy.



Financial Report

	KRW Million		US\$ Thousand (Note 2)	
	2002	2001	2002	2001
Assets				
Cash and due from banks (Notes 3, 19, 20, and 21)	₩ 44,579	₩ 34,192	US\$ 37,136	US\$ 28,484
Trading securities (Note 4)	13,191	34,480	10,989	28,724
Investment securities (Notes 5, 20 and 21)	1,487,238	1,909,728	1,238,952	1,590,910
Loans (Notes 6, 7, 8, 19, 20, 21 and 24)	7,651,024	8,228,396	6,373,729	6,854,712
Allowance for possible loan losses (Note 8)	(455,772)	(463,356)	(379,683)	(386,001)
Present value discounts for loans (Note 7)	(24,017)	(11,049)	(20,007)	(9,205)
	7,171,235	7,753,991	5,974,039	6,459,506
Call loans (Notes 6, 19, 20, 21 and 24)	559,882	931,339	466,413	775,857
Foreign currency loans to banks (Notes 6, 20, 21 and 24)	1,070,757	122,001	892,000	101,633
Fixed assets (Notes 9 and 10)	33,916	19,456	28,254	16,208
Other assets (Notes 11, 21, 23, 24, 25 and 26)	225,735	265,688	188,050	221,333
Total assets	₩ 10,606,533	₩ 11,070,875	US\$ 8,835,833	US\$ 9,222,655
Liabilities and shareholders' equity				
Borrowings (Notes 12, 19, 20, and 21)	₩ 4,654,203	₩ 4,449,289	US\$ 3,877,210	US\$ 3,706,505
Call money (Notes 13, 19, 20, and 21)	237,721	280,000	198,035	233,256
Debentures (Notes 14, 19, 20, 21 and 24)	2,663,815	3,134,650	2,219,106	2,611,338
Other liabilities (Notes 15, 16, 17, 21, 24 and 26)	241,155	436,986	200,896	364,033
Total liabilities	7,796,894	8,300,925	6,495,247	6,915,132
Commitments and contingencies (Note 25)				
Shareholders' equity (Note 18):				
Capital	2,725,755	2,675,755	2,270,706	2,229,053
Retained earnings				
Legal reserve	107,406	104,110	89,475	86,729
Voluntary reserve	235,121	221,936	195,869	184,885
Unappropriated retained earnings (undisposed accumulated deficit)	-	(37,806)	-	(31,494)
Total retained earnings	342,527	288,240	285,344	240,120
Capital adjustments (Note 5)	(258,643)	(194,045)	(215,464)	(161,650)
Total shareholders' equity	2,809,639	2,769,950	2,340,586	2,307,523
Total liabilities and shareholders' equity	₩ 10,606,533	₩ 11,070,875	US\$ 8,835,833	US\$ 9,222,655

	KRW Million		US\$ Thousand (Note 2)	
	2002	2001	2002	2001
Interest income:				
Due from banks	₩ 1,919	₩ 70,126	US\$ 1,599	US\$ 58,419
Investment securities	5,472	10,211	4,558	8,506
Loans	422,017	487,144	351,564	405,818
Call loans	9,297	22,632	7,745	18,854
Foreign currency loans to banks	8,922	6,299	7,432	5,247
Other	-	1,571	-	1,309
	447,627	597,983	372,898	498,153
Other operating income:				
Guarantee fees and commissions	71,550	53,775	59,605	44,797
Foreign exchange gain	27,440	8,244	22,859	6,868
Gain on disposal of trading securities	2,602	195	2,168	162
Gain on redemption of trading securities	-	629	-	524
Gain on valuation of trading securities (Note 4)	214	1,445	178	1,204
Dividends on trading securities	869	948	724	790
Dividends on investment securities	21,432	15,977	17,854	13,310
Gain on valuation of derivative instruments (Note 26)	55,942	38,092	46,603	31,733
Gain on valuation of fair value hedged items	-	56,801	-	47,318
Other	24	-	20	-
	180,073	176,106	150,011	146,706
Total operating income	627,700	774,089	522,909	644,859
Interest expense:				
Borrowings	143,087	235,441	119,199	196,135
Call money	15,222	10,794	12,681	8,992
Debentures	140,784	227,953	117,281	189,898
Other	-	2,125	-	1,770
	299,093	476,313	249,161	396,795
Other operating expenses:				
Commissions	2,029	2,331	1,690	1,942
Provision for loan losses	88,243	132,913	73,511	110,724
Foreign exchange loss	2,579	10,817	2,149	9,011
Loss on valuation of trading securities (Note 4)	3,109	5,362	2,590	4,467
Loss on disposal of trading securities	2,483	178	2,069	148
Administrative expenses (Note 22)	58,630	51,558	48,842	42,951
Loss on valuation of derivative instruments (Note 26)	66,089	76,416	55,056	63,659
Loss on valuation of fair value hedged items	18,155	2,537	15,124	2,113
Other	23	-	19	-
	241,340	282,112	201,050	235,015
Total operating expenses	540,433	758,425	450,211	631,810
Net operating income	87,267	15,664	72,698	13,049
Non-operating income (Notes 5 and 27)	14,018	9,074	11,678	7,559
Non-operating expenses (Notes 5 and 27)	(30,413)	(15,378)	(25,336)	(12,811)
Ordinary income	70,872	9,360	59,040	7,797
Extraordinary items	-	-	-	-
Income before income tax expense	70,872	9,360	59,040	7,797
Income tax benefit (expense) (Note 23)	(16,586)	422	(13,817)	352
Net income	₩ 54,286	₩ 9,782	US\$ 45,223	US\$ 8,149

STATEMENTS OF APPROPRIATIONS OF UNAPPROPRIATED RETAINED EARNINGS

Years ended December 31, 2002 and 2001

	KRW Million		US\$ Thousand (Note 2)	
	2002	2001	2002	2001
Retained earnings before appropriations				
(accumulated deficit before disposition):				
Accumulated deficit at January 1	₩ (37,806)	₩ (29,381)	US\$ (31,494)	US\$ (24,476)
Net income for the year	54,286	9,782	45,223	8,149
	16,480	(19,599)	13,729	(16,327)
Appropriations:				
Legal reserve	3,296	3,642	2,746	3,034
Voluntary reserve	13,184	14,565	10,983	12,133
	16,480	18,207	13,729	15,167
Unappropriated retained earnings				
(undisposed accumulated deficit) at December 31	₩ -	₩ (37,806)	US\$ -	US\$ (31,494)

STATEMENTS OF CASH FLOWS

Years ended December 31, 2002 and 2001

	KRW Million		US\$ Thousand (Note 2)	
	2002	2001	2002	2001
Cash flows from operating activities:				
Net income	₩ 54,286	₩ 9,782	US\$ 45,223	US\$ 8,149
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Interest on debentures (amortization of discounts)	11,196	2,583	9,327	2,152
Loss on disposal of trading securities	2,483	178	2,069	148
Loss on valuation of trading securities	3,109	5,362	2,590	4,467
Provision for loan losses	88,243	132,913	73,511	110,724
Provision for severance retirement benefits	3,545	2,891	2,953	2,408
Depreciation	2,085	1,439	1,737	1,199
Loss on sale of loans	-	249	-	207
Loss on valuation of derivative instruments	45,428	56,996	37,844	47,481
Loss on valuation of fair value hedged items	18,155	2,537	15,124	2,113
Loss on disposal of fixed assets	192	142	160	118
Loss on impairment of investments	6,154	4,810	5,127	4,007
Loss on disposal of investment securities	22,324	1,474	18,597	1,228
Equity loss	-	7,077	-	5,896
Gain on disposal of trading securities	(2,602)	(195)	(2,168)	(162)
Gain on redemption of trading securities	(427)	(629)	(356)	(524)
Gain on valuation of trading securities	(214)	(1,445)	(178)	(1,204)
Gain on sale of loans	-	(144)	-	(120)
Gain on valuation of derivative instruments	(33,742)	(10,882)	(28,109)	(9,065)
Gain on valuation of fair value hedged items	-	(56,801)	-	(47,318)
Gain on disposal of fixed assets	(129)	(35)	(107)	(29)
Gain on disposal of investment securities	(11,887)	(7,446)	(9,903)	(6,203)
Equity gain	(792)	-	(660)	-
Changes in operating assets and liabilities, net	242,214	(316,996)	201,778	(264,076)
Net cash provided by (used in) operating activities	449,621	(166,140)	374,559	(138,404)
Cash flows from investing activities:				
Disposal of trading securities	28,283	13,526	23,561	11,268
Disposal of investment securities	528,173	532,236	439,998	443,382
Acquisitions of trading securities	-	(10,422)	-	(8,682)
Acquisitions of investment securities	-	(517,176)	-	(430,836)
Decrease in call loans	371,457	9,410	309,444	7,839
Increase in foreign currency loans to banks	(948,756)	(122,001)	(790,367)	(101,634)
Acquisition of fixed assets	(16,557)	(3,294)	(13,793)	(2,744)
Disposal of fixed assets	9	42	8	35
Net cash used in investing activities	(37,391)	(97,679)	(31,149)	(81,372)
Cash flows from financing activities:				
Decrease (increase) in derivative assets	(11,536)	21,662	(9,610)	18,046
Decrease in derivative liabilities	(139,803)	(17,546)	(116,464)	(14,617)
Decrease in borrowings	(4,936,292)	(17,067,386)	(4,112,206)	(14,218,082)
Increase in borrowings	5,149,067	17,491,218	4,289,459	14,571,158
Decrease in call money	(42,279)	(783,611)	(35,221)	(652,792)
Issuance of debentures	953,443	-	794,271	-
Repayments of debentures	(1,424,443)	(629,961)	(1,186,640)	(524,793)
Increase in capital	50,000	-	41,653	-
Net cash used in financing activities	(401,843)	(985,624)	(334,758)	(821,080)
Net increase (decrease) in cash and cash equivalents	10,387	(1,249,443)	8,652	(1,040,856)
Cash and cash equivalents at the beginning of the year	34,192	1,283,635	28,484	1,069,340
Cash and cash equivalents at the end of the year	₩ 44,579	₩ 34,192	US\$ 37,136	US\$ 28,484

1. ORGANIZATION AND BUSINESS

The Export-Import Bank of Korea (the "Bank") was established in 1976 as a special financial institution under the Export-Import Bank of Korea Act (the "EXIM Bank Act") to facilitate export and import transactions, overseas investments and overseas resources development through the extension of loans and other financial facilities. The Bank has seven domestic branches, seven overseas offices and three overseas subsidiaries as of December 31, 2002. As of December 31, 2002, the Bank has KRW4,000,000 million of authorized capital, of which KRW2,725,755 million has been paid-in. The Bank is 51.6%, 42.8% and 5.6% owned by the Government of the Republic of Korea (the Government), the Bank of Korea (BOK) and Korea Development Bank, respectively, as of December 31, 2002. The Bank, as an agent of the Government, has managed the Economic Development Cooperation Fund and the Inter-Korea Cooperation Fund (the "Funds") since June 1987 and March 1991, respectively. The Funds are managed under separate accounts from the Bank's own accounts and are not included in the accompanying non-consolidated financial statements. Government contributions constitute the primary source of revenues of the Funds.

2. BASIS OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF FINANCIAL STATEMENTS - The Bank maintains its official 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 ("Korean GAAP"), Accounting Standards applicable to the Korean Banking Industry and the EXIM Bank Act. 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.

For the convenience of the reader, in preparing the accompanying financial statements, certain reclassifications, and changes in statement format and extent of disclosures have been made to the financial statements issued in the Korean language for domestic statutory purposes. Certain supplementary information attached to the statutory Korean language financial statements, but not required for a fair presentation of the Bank's financial position, results of operations and cash flows, is not presented in the accompanying financial statements

FOREIGN CURRENCY TRANSLATION AND TRANSACTIONS - Assets and liabilities denominated in foreign currencies and financial statements of foreign branches are translated into Korean won using applicable exchange rates in effect as of December 31, 2002 and 2001. Foreign currency transactions in the domestic banking branches are accounted for at the exchange rates prevailing on the dates of the transactions except for spot and forward exchange contracts which are valued at the rates specified in the contracts. Resulting translation gains or losses are credited or charged to current operations.

RECOGNITION OF INTEREST INCOME - Interest income on loans and investments, is recognized on an accrual basis, while interest income on other overdue and dishonored loans, except for those secured and guaranteed by other financial institutions, is recognized on a cash basis.

CASH AND CASH EQUIVALENTS - The Bank considers cash on hand and in banks to be cash and cash equivalents in the statement of cash flows.

MARKETABLE SECURITIES AND INVESTMENTS - Marketable equity securities held for short-term capital gain purposes are classified as trading securities. Other equity securities are classified as investment securities.

Equity securities held for trading are carried at fair value at the balance sheet date. Unrealized gains and losses on trading securities are included in current operations.

Marketable equity securities of non-controlled investees held for investment are carried at fair value. Temporary changes in fair value are accounted for as capital adjustments, a component of shareholders' equity. Declines in fair value which are anticipated to be permanent are recorded in current operations after eliminating any previously recorded capital adjustment for temporary changes. Subsequent recoveries or other future changes in fair value are recorded in the capital adjustment account.

Non-marketable equity securities of non-controlled investees held for investment are carried at cost, except for declines in the Bank's proportionate ownership of underlying book value of the investee that are anticipated to be permanent, which are recorded in current operations. Subsequent recoveries are also recorded in current operations up to the original cost of the investment.

Investments in equity securities of companies over which the Bank exerts significant control or influence, are recorded using the equity method of accounting. Under the equity method, the Bank records changes in its proportionate ownership of the net book value of the investee as current operations, capital adjustments and or adjustments to retained earnings, depending on the nature of the underlying change in book value of the investee.

Debt securities are classified as trading or investment securities. Investment debt securities are further classified as available-for-sale or held-to-maturity. The cost of debt securities includes the premium paid or discount received at the time of purchase. Debt securities held for trading are stated at fair value with gains and losses recorded in income.

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

Investments in debt securities which the Bank has the intent and ability to hold to maturity are generally carried at cost, adjusted for the amortization of discounts or premiums (amortized cost) using the effective interest method. Declines in the fair value of debt securities that are anticipated to be permanent are recorded in current operations. Subsequent recoveries are also recorded in current operations up to the amortized cost of the investment.

ALLOWANCE FOR POSSIBLE LOAN LOSSES - The Bank calculates the allowance for possible loan losses based on borrowers' future debt service capacity ("Forward Looking Criteria (FLC)"). This credit rating model includes financial and non-financial factors of borrowers.

Provisions are determined by applying the following minimum percentages to the various credit ratings:

Credit ratings	Loan classifications	Minimum provision percentages
P1 ~ P6	Normal	0.5% or above
SM	Precautionary	2% or above
S	Substandard	20% or above
D	Doubtful	50% or above
F	Estimated loss	100%

Loans which are deemed uncollectible are fully reserved by the allowance. However, charge-offs of actual loan balances may be delayed due to certain banking regulations governing the charge-off of loan balances.

The Bank's classification criteria for credit rating loans are as follows:

Classification	Description
Normal	Assets extended to customers who, in light of their management, financial position and future cash flows, are determined to pose no risk to the Bank's ability to collect the full amount of principal and interest as they become due.
Precautionary	Assets extended to customers who, in light of their management, financial position and future cash flows, are determined to have potential weaknesses that may lead to an inability to repay the full principal and interest as they become due in the near future, and have delinquent loans from 1 month to 3 months.
Substandard	Assets extended to customers who, in light of their management, financial position and future cash flows, are determined to pose a considerable risk to the Bank's ability to collect the full principal and interest due to revealed weaknesses that may have diminished the customer's capacity to repay the loans in a satisfactory manner. Portion of assets in the amount expected to be collected from customers who are classified as "Doubtful" and "Expected loss".
Doubtful	Portion of assets in excess of the amount expected to be collected from customers who, in light of their management, financial position and future cash flows, are determined to pose a significant risk to the Bank's ability to collect principal and interest due to a considerably weakened capacity to repay the loans in a satisfactory manner, and have delinquent loans from 3 to 12 months.
Estimated Loss	Portion of assets in excess of the amount expected to be collected from customers whose credit must be accounted for as a loss, because, in light of their management, financial position and future cash flows, the Bank's collection of principal and interest is not probable in the foreseeable future due to a serious weakening of such customers' ability to repay the loan in a satisfactory manner, and have delinquent loans for 12 months.

PRESENT VALUE DISCOUNTS - If the present value of a loan is different from its book value due to a rescheduling of terms as agreed by the related parties (as in the case of court receivership, composition or workout), the difference in present value of the loan and book value of the loan is offset against the allowance for possible loan losses, if available, or charged to current expense.

The difference between book value and present value is recorded as a present value discount in the balance sheet and amortized to current earnings over the related period using the effective interest method. The amortization is recorded as interest income.

FIXED ASSETS - Premises, equipment and intangible assets are recorded at cost. Routine maintenance and repairs are charged to expense as incurred. Expenditures which enhance the value or extend the useful life of the facilities involved are treated as additions to premises and equipment.

Depreciation is computed using the declining-balance method over the estimated useful lives of the assets except for buildings acquired after January 1, 1995, which are depreciated using the straight-line method.

	Estimated useful lives
Buildings	10 ~ 60 years
Vehicles	4 years
Furniture and fixtures	4 ~ 20 years

SEVERANCE AND RETIREMENT BENEFITS - In accordance with the Korean Labor Standards Law and the Bank's policies, employees terminating their employment with more than one year of service are entitled to severance and retirement benefits, based on the rates of pay in effect at the time of termination, years of service and certain other factors. The provision for the years ended December 31, 2002 and 2001 is sufficient to state the liability under the Korean Labor Standards Law and the Bank's policies at the estimated obligation arising from services performed to and at rates of pay in effect at December 31, 2002 and 2001. Funding of this liability is not required by Korean law.

RESERVE FOR ACCEPTANCES AND GUARANTEES - Acceptances and guarantees outstanding do not appear on the balance sheet, but are presented as off-balance sheet items in the notes to the financial statements. The Bank provides a minimum allowance percentage on confirmed guarantees of 20% for companies classified as "substandard", 50% for "doubtful" and 100% for "estimated loss." No allowance for confirmed acceptances and guarantees outstanding as of December 31, 2002 and 2001 was provided because no confirmed acceptances and guarantees were classified as "substandard" or below.

INCOME TAX EXPENSES - Deferred income taxes are recognized for the tax consequences of differences between the tax and financial reporting amounts of assets and liabilities at each period-end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Income tax expense consists of income tax payable for the period and the change during the period in deferred tax assets and liabilities.

DERIVATIVE FINANCIAL INSTRUMENTS - Derivative financial instruments include futures, forwards, option contracts and swap contracts, and are principally linked to interest rates and foreign exchange rates.

Derivative financial instruments, regardless of whether they are entered for trading or hedging purposes, are valued at fair value. Derivative contracts not meeting the requirements for hedge accounting treatment are classified as trading contracts with gains and losses included in current operations. Derivative contracts qualifying for hedge accounting treatment have unrealized valuation gains and losses recorded as capital adjustments (cash-flow-hedge derivatives) or as other revenues and expenses in current operations in conjunction with recording unrealized gains and losses for underlying assets or liabilities (fair-value-hedge derivatives).

CONTINGENT LIABILITIES - Performance guarantees of contracts, repayment guarantees of advances from customers, etc. are classified as confirmed acceptances and guarantees. Both confirmed acceptances and guarantees, and contingent acceptances and guarantees are presented as off-balance sheet items. The notional amount of derivative contracts, written-off loans, etc. are also presented as off-balance sheet items.

PER SHARE AMOUNTS - Per share amounts are not computed since the Bank has not issued shares of stock.

USE OF ESTIMATES - The preparation of financial statements in conformity with financial accounting standards requires management to make estimates and assumptions that affect the amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results could differ from those estimates.

UNITED STATES DOLLAR AMOUNTS - The Bank operates primarily in Korean won and its official accounting records are maintained in Korean won. The U. S. dollar amounts are provided herein as supplementary information solely for the convenience of the reader. All won amounts expressed in U. S. dollars are at the rate of KRW1,200.40 : US\$1, the basic exchange rate on December 31, 2002. This presentation is not required by or in accordance with Korean or United States generally accepted accounting principles, and should not be construed as a representation that the won amounts shown could be converted in or settled in U. S. dollars at this or any other rate.

The 2001 U.S. dollar amounts, which were previously expressed at KRW1,326.10: US\$1, the rate prevailing at December 31, 2001 have been restated to reflect the exchange rate in effect at December 31, 2002.

KOREAN GAAP REVISIONS FROM 2003 - In 2002, the Korean Accounting Standards Board issued certain new accounting statements with the intention to revise Korean GAAP and disclosure rules to meet international practices. The revised accounting standards will apply to Korean companies for the first fiscal year starting after December 31, 2002. Early adoption of the revised accounting standards is allowed. The cumulative effect on prior years of the changes in accounting policies will be charged or credited to either opening retained earnings or capital adjustment accounts, as required, with disclosures made on the effect of the changes. The revisions include changes in the areas of revenue recognition, intangible assets, property and equipment, interest capitalization, marketable and investment securities, convertible bonds and warrants, and events and transactions occurring after the balance sheet date.

The Bank elected to adopt in 2002 one of the new accounting standards for the revenue recognition. As required, the 2001 financial statements were restated to reflect the impact of adopting the new accounting standard, as further discussed in Note 15. Also, the Bank plans to adopt the other new accounting standards from January 1, 2003. The Bank is currently evaluating the impact that adoption of the other new accounting standards will have on its financial position and results of operations.

RECLASSIFICATION OF THE 2001 FINANCIAL STATEMENTS - Certain accounts in the 2001 financial statements were reclassified to conform with the 2002 presentation. Such reclassifications had no effect on the 2001 net income and net assets, as previously reported.

3. CASH AND DUE FROM BANKS

Cash and due from banks as of December 31, 2002 and 2001 are summarized as follows (Korean won in millions):

	Financial institution	2002	2001
Due from banks in Korean won:			
Current deposits	Koram Bank and other	₩ 1,483	₩ 1,174
Others	Industrial Bank of Korea and others	31,000	17,901
		32,483	19,075
Due from banks in foreign currencies:			
Current deposits	Korea Exchange Bank	9,644	4,352
Nostro accounts	Deutsche Bank, N.Y. and others	1,763	9,403
Other deposits	Painewebber Inc. and others	-	788
Off-shore nostro accounts	JP Morgan Chase Bank, NY	689	574
		12,096	15,117
		₩ 44,579	₩ 34,192

Restricted balances in due from banks as of December 31, 2002 and 2001 are as follows (Korean won in millions):

	Financial institution	2002	2001
Other deposits in Korean won	Resolution & Finance Corp.	₩ -	₩ 3,201

Above other deposits in Korean won were restricted in connection with a subrogation payment for a guarantee to a bankrupt merchant bank.

4. TRADING SECURITIES

Trading securities as of December 31, 2002 and 2001 are listed stocks on the Korea Stock Exchange and are summarized as follows (Korean won in millions):

<2002>

	Number of shares	Acquisition cost	Fair market value
Korea Electric Power Corporation	712,319	₩ 14,585	₩ 13,000
Shinwon	495,410	488	191
		₩ 15,073	₩ 13,191

<2001>

	Number of shares	Acquisition cost	Fair market value
Korea Electric Power Corporation	1,579,839	₩ 32,347	₩ 34,283
Maxon Telecomm	403,000	1,112	197
		₩ 33,459	₩ 34,480

5. INVESTMENT SECURITIES

Investment securities as of December 31, 2002 and 2001 are summarized as follows (Korean won in millions):

	2002	2001
Equity securities	₩ 1,365,502	₩ 1,678,695
Equity investments	1,055	1,055
Bonds	-	27
Investment securities in foreign currencies	120,681	229,951
	₩ 1,487,238	₩ 1,909,728

Equity securities as of December 31, 2002 consist of the following (Korean won in millions):

	Number of shares	Percentage of ownership (%)	Acquisition cost	Fair market value	Book value
Marketable:					
Korea Exchange Bank	40,314,387	18.15	₩ 418,184	₩ 153,598	₩ 153,598
Industrial Bank of Korea	7,301,153	2.41	36,506	41,836	41,836
Daewoo E&C Co., Ltd.	845,636	0.51	2,418	2,199	2,199
Shin Dong Bang	2,683,033	4.28	3,327	1,516	1,516
KEP Chemical	87,857	0.09	439	268	268
Daewoo International Corp.	140,189	0.33	377	321	321
Daewoo Precision Industries	23,100	1.68	347	341	341
			461,598	200,079	200,079
Non-marketable:					
Korea Exchange Bank (preferred stock)	80,000,000	(*)	400,000	(*)	400,000
Industrial Bank of Korea (preferred stock)	62,410,000	(*)	312,050	(*)	312,050
Korea Highway Corporation	45,000,000	3.21	450,000	462,387	450,000
Orion Electronics CRV	435,410	5.50	2,177	2,030	2,177
Daewoo Electronics	224,580	8.64	1,123	1,792	1,123
Daewoo Precision Industries (preferred stock)	7,700	(*)	38	(*)	38
Koryo	35,283	0.74	35	280	35
Daewoo Electronics (old)	911,428	1.02	4,293	-	-
			1,169,716		1,165,423
			₩ 1,631,314		₩ 1,365,502

(*) The preferred stock has no voting rights. Accordingly, the percentage of ownership and net asset value are not disclosed.

The difference of KRW258,643 million between acquisition cost and book value of marketable equity securities, net of gain on valuation of investment debt securities of KRW2,876 million, is recorded as a loss on valuation of investment securities in the capital adjustment account.

Equity securities as of December 31, 2001 consist of the following (Korean won in millions):

	Number of shares	Percentage of ownership (%)	Acquisition cost	Fair market value	Book value
Marketable:					
Korea Exchange Bank	40,314,387	18.15	₩ 418,184	₩ 157,025	₩ 157,025
Korea Tobacco & Ginseng Corporation	13,434,534	7.03	225,096	260,630	260,630
Industrial Bank of Korea	10,417,190	3.90	52,086	83,233	83,233
Daewoo E&C Co., Ltd.	845,636	0.69	2,417	2,359	2,359
KTF	6,910	-	236	296	296
Shinsegi Telecomm	4,016	-	37	37	37
Daewoo International Corp.	140,189	0.45	377	233	233
Daewoo Electronics	911,428	1.02	4,293	3,327	3,327
			702,726	507,140	507,140
Non-marketable:					
Korea Exchange Bank (preferred stock)	80,000,000	(*)	400,000	(*)	400,000
Industrial Bank of Korea (preferred stock)	62,410,000	(*)	312,050	(*)	312,050
Korea Highway Corporation	45,000,000	3.21	450,000	419,943	450,000
Samho Heavy Industrial Co., Ltd.	1,894,028	9.5	9,470	5,111	9,470
Koryo	35,283	0.74	35	271	35
			1,171,555		1,171,555
			₩ 1,874,281		₩ 1,678,695

(*) The preferred stock has no voting rights. Accordingly, the percentage of ownership and net asset value are not disclosed.

The difference of KRW194,045 million between acquisition cost and book value of marketable equity securities, net of gain on valuation of investment debt securities of KRW1,541 million, is recorded as a loss on valuation of investment securities in the capital adjustment account.

Equity investments as of December 31, 2002 and 2001 consist of the following (Korean won in millions):

	Percentage of ownership (%)	Acquisition cost	Net asset value (*1)		Book value (2002 & 2001)
			2002	2001	
Korea Asset Management Corporation	0.40	₩ 600	₩ 925	₩ 688	₩ 600
Korea Money Intermediary Co., Ltd.	0.60	55	233	217	55
NICE	1.70	400	912	803	400
		₩ 1,055	₩ 2,070	₩ 1,708	₩ 1,055

(*1) Net asset value was calculated using the recent financial statements of the companies.

Investment securities in foreign currencies as of December 31, 2002 and 2001 consist of the following (Korean won in millions):

	Type	2002	2001
Bonds	Floating rate notes (FRN) and others	₩ 65,540	₩ 175,603
Overseas equity investments	KEXIM Bank UK Limited and others	55,141	54,348
		₩ 120,681	₩ 229,951

Overseas equity investments as of December 31, 2002 and 2001 are accounted for using the equity method and are summarized as follows (Korean won in millions):

<2002>			
	Percentage of ownership (%)	Book value before applying equity method	Book Value
KEXIM Bank UK Limited	100.00	₩ 38,865	₩ 39,938
KEXIM Vietnam Leasing Co., Ltd.	100.00	6,756	8,181
PT KOEXIM Mandiri Finance	78.33	8,728	7,022
		₩ 54,349	₩ 55,141

<2001>			
	Percentage of ownership (%)	Book value before applying equity method	Book Value(*1)
KEXIM Bank UK Limited	100.00	₩ 40,740	₩ 38,865
KEXIM Vietnam Leasing Co., Ltd.	100.00	11,497	6,755
PT KOEXIM Mandiri Finance	78.33	7,571	8,728
		₩ 59,808	₩ 54,348

At December 31, 2002 and 2001, information about investment securities excluding equity investments and bonds in Korean won by industry are summarized as follows (Korean won in millions):

By Industry	Securities in Korean won	Securities in foreign currency	Total	Composition (%)
<2002>				
Public	₩ 450,000	₩ 9,612	₩ 459,612	32.12
Financial business	907,484	31,110	938,594	65.59
Manufacturing	5,498	24,818	30,316	2.12
Wholesale and retail	321	-	321	0.02
Construction	2,199	-	2,199	0.15
	₩ 1,365,502	₩ 65,540	₩ 1,431,042	100.00
<2001>				
Public	₩ 710,630	₩ 12,151	₩ 722,781	38.98
Financial business	952,308	118,330	1,070,639	57.74
Manufacturing	13,164	45,121	58,285	3.14
Wholesale and retail	233	-	233	0.01
Construction	2,359	-	2,359	0.13
	₩ 1,678,695	₩ 175,602	₩ 1,854,297	100.00

The portfolio of investment securities (excluding overseas equity investments) in foreign currencies by geography as of December 31, 2002 and 2001 is as follows (Korean won in millions):

<2002>		
	Amount	Composition(%)
South Korea	₩ 41,505	63.32
China	3,939	6.01
Philippines	5,850	8.93
Malaysia	7,413	11.31
India	6,833	10.42
	₩ 65,540	100.00

<2001>		
	Amount	Composition(%)
Asia:		
South Korea	₩ 128,607	73.24
Malaysia	6,631	3.78
India	6,725	3.83
Cayman Islands	8,635	4.92
Indonesia and others	23,484	13.36
	174,082	99.13
The Americas:		
Columbia	1,520	0.87
	₩ 175,602	100.00

The portfolio of investment securities (excluding overseas equity investments) in foreign currencies by product type as of December 31, 2002 and 2001 is as follows:

<2002>				
Currencies	Type	Amounts		Composition (%)
		Balance of original currency in thousands	Korean won equivalent in millions	
U. S. dollars	FRN	US\$ 12,065	₩ 14,482	22.10
	Medium-term notes	4,873	5,850	8.93
	Euro bonds	5,000	6,002	9.16
	Global bonds	19,448	23,346	35.61
	Yankee bonds	12,247	14,701	22.43
	Convertible bonds	965	1,159	1.77
		US\$ 54,598	₩ 65,540	100.00

<2001>

Currencies	Type	Amounts		
		Balance of original currency in thousands	Korean won equivalent in millions	Composition (%)
U. S. dollars	FRN	US\$ 19,085	₩ 25,309	14.41
	VRN	5,000	6,631	3.78
	Medium-term notes	4,873	6,462	3.68
	Euro bonds	14,998	19,888	11.33
	Global bonds	14,412	19,112	10.88
	Yankee bonds	21,312	28,261	16.09
	Commercial paper	49,676	65,876	37.52
	Convertible bonds	3,064	4,063	2.31
		US\$ 132,420	₩ 175,602	100.00

6. LOANS

Loans as of December 31, 2002 and 2001 are summarized as follows (Korean won in millions):

	2002	2001
Loans in Korean won	₩ 1,814,450	₩ 2,146,415
Loans in foreign currencies	4,820,498	5,430,904
Bills bought	513,997	616,818
Bills purchased	485,811	33,155
Advances for customers	16,268	1,104
	7,651,024	8,228,396
Allowance for possible loan losses	(455,772)	(463,356)
Present value discounts	(24,017)	(11,049)
	₩ 7,171,235	₩ 7,753,991

Loans in Korean won as of December 31, 2002 and 2001 consist of the following (Korean won in millions):

	2002	2001
Export loans	₩ 1,640,346	₩ 2,056,740
Overseas investments	406	-
Import loans	132,403	54,398
Privately placed bonds	33,134	4,313
Debt-equity swap receivables	3,064	30,964
Others	5,097	-
	₩ 1,814,450	₩ 2,146,415

Loans in Korean won by industry as of December 31, 2002 and 2001 consist of the following:

	2002		2001	
	Amount	%	Amount	%
Manufacturing	₩ 1,771,573	97.64	₩ 1,990,840	92.75
Construction	7,905	0.43	6,905	0.32
Wholesale, retail and customer good repairs	29,158	1.61	140,590	6.55
Others	5,814	0.32	8,080	0.38
	₩ 1,814,450	100.00	₩ 2,146,415	100.00

Loans in foreign currencies as of December 31, 2002 and 2001 consist of the following (Korean won in millions):

	2002	2001
Export loans	₩ 3,051,265	₩ 3,289,153
Trade bill rediscount	403,703	460,612
Overseas investments	775,260	838,867
Import loans	225,256	275,699
Privately placed bonds	127,176	458,050
Off-shore	187,399	91,928
Others	50,439	16,595
	₩ 4,820,498	₩ 5,430,904

At December 31, 2002 and 2001, loans by borrower type are summarized as follows (Korean won in millions):

<2002>

Type	Loans in Korean won		Loans in foreign currencies		Total	
	Amount	%	Amount	%	Amount	%
Corporate	₩ 1,814,450	100.00	₩ 3,084,293	63.98	₩ 4,898,743	73.83
Public and others	-	-	1,736,205	36.02	1,736,205	26.17
	₩ 1,814,450	100.00	₩ 4,820,498	100.00	₩ 6,634,948	100.00

<2001>

Type	Loans in Korean won		Loans in foreign currencies		Total	
	Amount	%	Amount	%	Amount	%
Corporate	₩ 2,146,415	100.00	₩ 3,208,381	59.08	₩ 5,354,796	70.67
Public and others	-	-	2,222,523	40.92	2,222,523	29.33
	₩ 2,146,415	100.00	₩ 5,430,904	100.00	₩ 7,577,319	100.00

Daewoo Corporation and several companies which had been members of the Daewoo Group, are under a workout process that includes the rescheduling of interest and principal and conversion to equity securities. The Bank's outstanding loans, net of present value discount (including confirmed acceptances and guarantees), to those companies under workout as of December 31, 2002 amount to KRW3,065,927 million. These loans are classified as normal of KRW2,768,903 million, precautionary of KRW206,432 million, substandard of KRW9,289 million, doubtful of KRW81,094 million, and estimated loss of KRW209 million, for which an allowance for possible loan losses of KRW104,516 million was provided. Collectibility of these loans may be affected by the restructuring of companies under workout programs.

The Bank's outstanding loans, net of present value discount (including confirmed acceptances and guarantees), to companies (excluding the companies mentioned above) under court receivership, composition, and workout as of December 31, 2002 amount to KRW87,326 million. These loans are classified as normal of KRW9,869 million, precautionary of KRW22,253 million, substandard of KRW8,183 million, and doubtful of KRW47,021 million, for which an allowance for possible loan losses of KRW50,836 million was provided. Collectibility of these loans may be affected by such restructuring of companies.

The Bank extended loans of US\$465,504 thousand to the Bank for Foreign Affairs of the USSR in 1991 and 1992 with a guarantee of the Russian Government, which were scheduled to be repaid in 1993 and 1994. However, repayment of those loans and interest has been delayed due to the Russian economic crisis. During 2002, principal and interest totaling in US\$10,753 thousand and US\$59,400 thousand, respectively, were paid and charged off. As of December 31, 2002, US\$191,314 thousand of those loans had not been repaid and were outstanding. The Bank classified the above outstanding loans of US\$191,314 thousand as estimated loss and provided a full allowance for possible loan losses as of December 31, 2002. Collectibility of these loans may be affected by the repayment negotiation in process.

The Bank's outstanding loans (including confirmed acceptances and guarantees) to SK Global and its overseas subsidiaries, which are recently being investigated by the Korean regulator amount to KRW517,749 million as of December 31, 2002. The Bank's allowance for possible loan losses for the loans may be different from actual future losses. The accompanying financial statements do not reflect any adjustments due to this uncertainty.

Loans to financial institutions as of December 31, 2002 and 2001 consist of the following (Korean won in millions):

	2002		2001	
Call loans in Korean won	₩	134,100	₩	40,200
Call loans in foreign currencies		425,782		891,139
Loans to banks		1,070,757		122,001
Loans to banks in foreign currencies		1,159,772		1,333,561
	₩	2,790,411	₩	2,386,901

Loans in foreign currencies by geography as of December 31, 2002 and 2001 are as follows (Korean won in millions):

<2002>				
	Geography		Amount	Composition (%)
Asia	South Korea	₩	3,276,153	67.96
	China		271,788	5.64
	Indonesia		83,719	1.74
	India		81,312	1.69
	Vietnam		1,053	0.02
	Others		308,331	6.40
			4,022,356	83.45
Europe	Russia		229,654	4.76
	United Kingdom		36,012	0.75
	Netherlands		120,173	2.49
	Others		26,049	0.54
			411,888	8.54
The Americas	United States		6,002	0.12
	Mexico		264,596	5.49
	Dominica		66,574	1.38
	Others		49,082	1.02
			386,254	8.01
		₩	4,820,498	100.00
<2001>				
	Geography		Amount	Composition (%)
Asia	South Korea	₩	7,857	0.15
	China		669,398	12.32
	Japan		155,461	2.86
	Indonesia		449,602	8.28
	India		415,488	7.65
	Vietnam		175,450	3.23
	Others		815,280	15.01
			2,688,536	49.50
Europe	Russia		349,246	6.43
	Poland		205,637	3.79
	United Kingdom		37,642	0.69
	Netherlands		448,860	8.27
	Others		346,633	6.38
			1,388,018	25.56
The Americas	United States		513,876	9.46
	Mexico		298,407	5.49
	Others		372,833	6.87
			1,185,116	21.82
Others	Australia and others		169,234	3.12
			₩	5,430,904

7. RESTRUCTURING OF LOANS

Outstanding restructured loans as of December 31, 2002 and 2001 are as follows (Korean won in millions):

<2002>			
Type	Discount rate (%)	Amount	Present value discount
Court receivership and mediation	2.63 ~ 12.00	₩ 24,684	₩ 1,991
Workout programs	2.68 ~ 13.84	128,399	3,927
Individual agreements	5.30 ~ 7.05	68,637	18,099
		₩ 221,720	₩ 24,017
<2001>			
Type	Discount rate (%)	Amount	Present value discount
Court receivership and mediation	8.79 ~ 11.64	₩ 2,011	₩ 356
Workout programs	2.68 ~ 13.84	114,923	8,311
Individual agreements	8.77 ~ 11.99	18,793	2,382
		₩ 135,727	₩ 11,049

8. ALLOWANCE FOR POSSIBLE LOAN LOSSES

The classification and allowance for loan losses outstanding at December 31, 2002 are summarized as follows (Korean won in millions):

	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total (*)	Allowance percentage
Loans in Korean won	₩ 1,764,004	₩ 37,565	₩ 2,484	₩ 10,157	₩ 240	₩1,814,450	
(Allowance)	(13,230)	(5,521)	(994)	(9,141)	(240)	(29,126)	1.60
Loans in foreign currencies	4,306,297	129,908	20,462	124,580	33,335	4,814,582	
(Allowance)	(32,297)	20,311	(8,411)	(113,836)	(233,335)	(408,190)	8.48
Notes bought	445,003	50,537	-	-	356	495,896	
(Allowance)	(3,338)	(8,591)	-	-	(356)	(12,285)	2.48
Bills bought	485,811	-	-	-	-	485,811	
(Allowance)	(3,644)	-	-	-	-	(3,644)	0.75
Advances to customers	1,598	14,670	-	-	-	16,268	
(Allowance)	(12)	(2,494)	-	-	-	(2,506)	15.40
Suspense receivables	9	-	53	-	-	62	
(Allowance)	-	-	(21)	-	-	(21)	33.87
Total loans	₩ 7,002,722	₩ 232,680	₩ 22,999	₩ 134,737	₩ 233,931	₩7,627,069	
(Total allowance)	₩ (52,521)	₩ (36,917)	₩ (9,426)	₩(122,977)	₩ (233,931)	₩ (455,772)	5.98
Allowance percentage	0.75	15.87	40.98	91.27	100.00	5.98	

The classification and allowance for loan losses outstanding at December 31, 2001 are summarized as follows (Korean won in millions):

	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total (*)	Allowance percentage
Loans in Korean won	₩2,131,731	₩ 2,646	₩ 1,537	₩ 7,456	₩ 3,000	₩2,146,370	
(Allowance)	(10,659)	(53)	(307)	(6,575)	(3,000)	(20,594)	0.96
Loans in foreign currencies	4,606,438	196,298	88,943	427,103	101,120	5,419,902	
(Allowance)	(23,032)	(10,440)	(17,789)	(276,355)	(101,120)	(428,736)	7.91
Notes bought	544,601	71,823	-	393	356	616,818	
(Allowance)	(2,723)	(10,774)	-	(334)	(356)	(13,831)	2.24
Bills bought	33,153	-	-	-	-	33,153	
(Allowance)	(166)	-	-	-	-	(166)	0.50
Advances to customers	1,104	-	-	-	-	1,104	
(Allowance)	(6)	-	-	-	-	(6)	0.50
Suspense receivables	-	-	3	-	23	26	
(Allowance)	-	-	-	-	(23)	(23)	88.50
Total loans	₩7,317,027	₩ 270,767	₩ 90,483	₩ 434,953	₩ 104,143	₩8,217,373	
(Total allowance)	₩ (36,586)	₩ (21,267)	₩ (18,096)	₩ (283,264)	₩ (104,143)	₩ (463,356)	5.64
Allowance percentage	0.50	7.90	20.00	65.10	100.00	5.64	

(*)As of December 31, 2002, KRW24,017 million of present value discount (KRW11,049 million in 2001) is excluded and KRW62 million of suspense receivables (KRW26 million in 2001) is included in the total loan balance.

Changes in allowance for loan losses for the years ended December 31, 2002 and 2001 are as follows (Korean won in millions):

	2002	2001
Beginning balance	₩ 463,356	₩ 664,988
Bad debt expense	88,243	132,913
Change of allowance due to exchange rate fluctuation	(48,396)	26,644
Charge-off	(47,431)	(361,189)
Ending balance	₩ 455,772	₩ 463,356

The classification for confirmed acceptances and guarantees as of December 31, 2002 and 2001 are summarized as follows and allowances for confirmed acceptances and guarantees were not provided since no confirmed acceptances and guarantees were classified as "substandard" or below (Korean won in millions):

<2002>						
	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
	₩ 10,273,175	₩ 210,955	₩ -	₩ -	₩ -	₩ 10,484,130
<2001>						
	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
	₩ 8,548,679	₩ 59,394	₩ -	₩ -	₩ -	₩ 8,608,073

Provisions for loan losses of the Bank for the latest 3 years are as follows (Korean won in millions):

	2002	2001	2000
Loans	₩ 7,627,069	₩ 8,217,373	₩ 8,265,349
Provision for loan losses	₩ 455,772	₩ 463,356	₩ 664,988
Provision ratio (%)	5.98%	5.64%	8.05%

9. FIXED ASSETS

Fixed assets as of December 31, 2002 and 2001 consist of the following (Korean won in millions):

<2002>

	Acquisition cost	Accumulated depreciation	Book value
Land	₩ 4,341	₩ -	₩ 4,341
Buildings	24,983	(15,189)	9,794
Vehicles	842	(643)	199
Furniture and fixtures	10,700	(7,820)	2,880
Construction in progress	12,120	-	12,120
	₩ 52,986	₩ (23,652)	₩ 29,334

<2001>

	Acquisition cost	Accumulated depreciation	Book value
Land	₩ 4,341	₩ -	₩ 4,341
Buildings	24,983	(14,705)	10,278
Vehicles	697	(561)	136
Furniture and fixtures	8,968	(7,771)	1,197
Construction in progress	1,332	-	1,332
	₩ 40,321	₩ (23,037)	₩ 17,284

As of December 31, 2002 and 2001, the government-posted prices of the Bank-owned land (57,233 square meters) used for tax assessment purposes are KRW48,001 million and KRW45,723 million, respectively.

10. INSURED ASSETS

As of December 31, 2002 and 2001, fixed assets are insured for up to KRW21,212 million and KRW19,614 million, respectively.

11. OTHER ASSETS

Other assets as of December 31, 2002 and 2001 consist of the following (Korean won in millions):

	2002	2001
Guarantee deposits	₩ 12,727	₩ 11,646
Accounts receivable - other	9,674	17,344
Accrued income	56,770	72,037
Prepaid expenses	9,738	1,060
Deferred income tax assets	53,727	75,317
Derivatives (assets)	19,329	19,480
Loan suspense receivables	62	26
Suspense receivables	387	447
Other loans	6,745	6,597
Long-term installment notes bought	54,287	59,972
Other	2,289	1,762
	₩ 225,735	₩ 265,688

12. BORROWINGS

Borrowings as of December 31, 2002 and 2001 consist of the following (Korean won in millions):

	2002	2001
Borrowings in Korean won	₩ 520,000	₩ 580,000
Borrowings in foreign currencies	4,134,203	3,869,289
	₩ 4,654,203	₩ 4,449,289

Borrowings in Korean won as of December 31, 2002 and 2001 consist of the following (Korean won in millions):

Borrowings from	Annual interest rate (%)	2002	2001
Korean Government	3.92	₩ 220,000	₩ 380,000
Industrial Bank of Korea	4.10	200,000	200,000
Hana Bank	4.85	100,000	-
		₩ 520,000	₩ 580,000

Borrowings in foreign currencies as of December 31, 2002 and 2001 consist of the following (Korean won in millions, U.S. dollars in thousands):

Borrowings from	Interest rate (%)	2002		2001	
		Foreign currencies (*)	Korean won	Foreign currencies (*)	Korean won
Korean Government	2.83	US\$ 2,277,551	₩ 2,733,972	US\$ 2,277,551	₩ 3,020,260
Domestic financial institutions	-	-	-	435,000	576,854
Foreign financial institutions	0.18-3.28	1,160,116	1,392,604	193,565	256,686
		3,437,667	4,126,576	2,906,116	3,853,800
Adjustments		6,354	7,627	11,679	15,489
		US\$ 3,444,021	₩ 4,134,203	US\$ 2,917,795	₩ 3,869,289

(*) Foreign currencies other than the U.S. dollar are translated into U.S. dollars using the exchange rates prevailing at the balance sheet date.

13. CALL MONEY

Call money as of December 31, 2002 and 2001 consist of the following (Korean won in millions):

<2002>			
	Financial institutions	Annual interest rate (%)	Amount
Call money in Korean won	Koram Bank	4.70	₩ 200,000
Call money in foreign currencies	Royal Bank of Scotland, Hong Kong	3.10	37,721
			₩ 237,721

<2001>			
	Financial institutions	Annual interest rate (%)	Amount
Call money in Korean won	Industrial Bank of Korea	3.90	₩ 130,000
	Hana Bank	4.50	100,000
	Shinhan Bank	4.50	50,000
			₩ 280,000

14. DEBENTURES

Debentures as of December 31, 2002 and 2001 consist of the following (Korean won in millions):

	2002	2001
Debentures in Korean won	₩ -	₩ 200,000
(Discount)	-	(10,080)
Debentures in foreign currencies	2,658,863	2,927,859
(Discount)	(3,489)	(2,600)
Adjustment	8,441	19,471
	₩ 2,663,815	₩ 3,134,650

Debentures in Korean won as of December 31, 2001 are as follows (Korean won in millions):

Issuance date	Annual interest rate (%)	Expiration date	Amount
December 11, 2001	5.68	December 11, 2002	₩ 100,000
December 12, 2001	5.62	December 12, 2002	50,000
December 18, 2001	5.49	December 18, 2002	50,000
			200,000
		Discount	(10,080)
			₩ 189,920

Debentures in foreign currencies as of December 31, 2002 are as follows:

Currencies	Issuance date	Annual interest rate (%)	Expiration date	Amount
U. S. dollars (in thousands)	February 15, 1996	6.38	February 15, 2006	US\$ 421
	November 20, 1996	6.50	November 15, 2003	340
	March 25, 1997	7.10	March 15, 2007	650
	November 27, 2002	4.25	November 27, 2007	700
			US\$ 2,111	
Japanese yen (in millions)	December 19, 1995	4.10	December 19, 2005	JP¥ 10,000
Hong Kong dollars (in thousands)	December 18, 2002	HIBOR 3M+0.2	December 17, 2003	HK\$ 156,000

Debentures in foreign currencies as of December 31, 2001 are as follows:

Currencies	Issuance date	Annual interest rate (%)	Expiration date	Amount
U. S. dollars (in thousands)	February 15, 1996	6.38	February 15, 2006	US\$ 420,700
	November 20, 1996	6.50	November 15, 2003	340,000
	February 10, 1997	6.50	February 10, 2002	495,000
	March 25, 1997	7.10	March 15, 2002	650,000
			US\$ 1,905,700	
Japanese yen (in millions)	December 19, 1995	4.10	December 19, 2005	JP¥ 10,000
Deutsche marks (in thousands)	March 20, 1997	3.50	March 20, 2002	DEM 500,000

15. UNEARNED REVENUES

Unearned revenues as of December 31, 2002 and 2001 consist of the following (Korean won in millions):

	2002		2001	
Unearned interest income from loans	₩	13,447	₩	9,465
Exposure fees		47,199		54,632
	₩	60,646	₩	64,097

The Bank recognized exposure fees, which are included in fee income, on a cash basis. However, in 2002 the Bank applied accrual basis revenue recognition by early adopting one of the new accounting standards for revenue recognition which were issued by the Korean Accounting Standards Board in 2002, to meet international practices. As required, the 2001 financial statements were restated to reflect the impact of adopting the new accounting standard. Net income in 2001 decreased by KRW8,650 million and shareholders' equity decreased by KRW37,806 million and total liabilities (unearned revenues) increased by KRW54,632 million as of December 31, 2001, as a result of the restatement.

Also, net income in 2002 increased by KRW7,433 million and shareholder's equity as of December 31, 2002 decreased by KRW30,373 million under the new accounting standard.

16. ACCRUED SEVERANCE BENEFITS

The changes in accrued severance and retirement benefits for the years ended December 31, 2002 and 2001 are as follows (Korean won in millions):

<2002>					
	Beginning balance	Increase	Decrease	Ending balance	
Accrued severance and retirement benefits	₩ 6,125	₩ 3,545	₩ 1,252	₩	8,418
Prepayments to National Pension Corp.	(37)	-	(7)		(30)
Net	₩ 6,088	₩ 3,545	₩ 1,245	₩	8,388
<2001>					
	Beginning balance	Increase	Decrease	Ending balance	
Accrued severance and retirement benefits	₩ 4,324	₩ 2,891	₩ 1,090	₩	6,125
Prepayments to National Pension Corp.	(52)	-	(15)		(37)
Net	₩ 4,272	₩ 2,891	₩ 1,075	₩	6,088

17. OTHER LIABILITIES

Other liabilities as of December 31, 2002 and 2001 consist of the following (Korean won in millions):

	2002		2001	
Severance and retirement benefits	₩	8,418	₩	6,125
(Prepayment to KNPC)		(30)		(37)
Foreign exchange remittance pending		2,310		23,676
Accounts payable - other		53,524		89,814
Accrued expenses		66,787		97,101
Unearned revenues		60,646		64,097
Deposits for letter of guarantees and others		963		620
Derivatives (liabilities) (Note 24)		47,546		150,303
Suspense payable		282		4,676
Withholding taxes		709		611
	₩	241,155	₩	436,986

18. SHAREHOLDERS' EQUITY

CAPITAL - As of December 31, 2002 and 2001, the Bank has KRW4,000,000 million of authorized capital.

Changes of capital and ownership for the year ended December 31, 2002 are summarized as follows (Korean won in millions):

	January 1, 2002	%	Increase	December 31, 2002	%
Korean Government	₩ 1,357,169	50.7	₩ 50,000	₩ 1,407,169	51.6
Bank of Korea	1,165,000	43.5	-	1,165,000	42.8
Korea Development Bank	153,586	5.8	-	153,586	5.6
	₩ 2,675,755	100.0	₩ 50,000	₩ 2,725,755	100.0

LEGAL RESERVE AND VOLUNTARY RESERVE - The Export-Import Bank of Korea Act requires the Bank to annually appropriate 20% of unappropriated retained earnings as a legal reserve up to the amount of paid-in capital.

19. TERM STRUCTURE OF SIGNIFICANT ASSETS AND LIABILITIES

The term structures of significant assets and liabilities as of December 31, 2002 and 2001 are summarized as follows (Korean won in millions):

	<2002>						Total
	Less than 3 months	Less than 6 months	Less than 1 year	Less than 3 years	More than 3 years		
Due from banks:							
Korean won	₩ 32,483	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 32,483
Foreign currencies	12,096	-	-	-	-	-	12,096
Loans:							
Korean won	641,505	648,764	441,557	66,219	16,405		1,814,450
Foreign currencies (*1)	859,105	893,487	455,842	1,188,962	1,929,350		5,326,746
Call loans:							
Korean won	134,100	-	-	-	-		134,100
Foreign currencies	425,782	-	-	-	-		425,782
	₩ 2,105,071	₩ 1,542,251	₩ 897,399	₩ 1,255,181	₩ 1,945,755		₩ 7,745,657
Borrowings:							
Korean won	₩ 300,000	₩ -	₩ 110,000	₩ 110,000	₩ -		₩ 520,000
Foreign currencies (*2)	1,800,875	31,434	510,546	1,002,709	781,012		4,126,576
Call money:							
Korean won	200,000	-	-	-	-		200,000
Foreign currencies (*2)	37,721	-	-	-	-		37,721
Debentures:							
Foreign currencies (*2)	-	-	24,012	101,276	2,530,086		2,655,374
	₩ 2,338,596	₩ 31,434	₩ 644,558	₩ 1,213,985	₩ 3,311,098		₩ 7,539,671
	<2001>						
Due from banks:							
Korean won	₩ 19,075	₩ -	₩ -	₩ -	₩ -		₩ 19,075
Foreign currencies	15,117	-	-	-	-		15,117
Loans:							
Korean won	443,467	1,116,601	524,144	14,209	17,029		2,115,450
Foreign currencies (*1)	728,867	718,864	735,271	1,157,428	2,697,347		6,037,777
Call loans:							
Korean won	40,200	-	-	-	-		40,200
Foreign currencies	891,139	-	-	-	-		891,139
	₩ 2,137,865	₩ 1,835,465	₩ 1,259,415	₩ 1,171,637	₩ 2,714,376		₩ 9,118,758
Borrowings:							
Korean won	₩ -	₩ 200,000	₩ 160,000	₩ 220,000	₩ -		₩ 580,000
Foreign currencies (*2)	-	692,220	-	-	3,161,580		3,853,800
Call money:							
Korean won	280,000	-	-	-	-		280,000
Debentures:							
Korean won	-	-	189,920	-	-		189,920
Foreign currencies (*2)	954,693	-	-	453,030	1,517,536		2,925,259
	₩ 1,234,693	₩ 892,220	₩ 349,920	₩ 673,030	₩ 4,679,116		₩ 7,828,979

(*1) Loans in foreign currencies include bills bought and advances to customers, net of present value discounts.

(*2) Valuation adjustments are excluded from the above amounts.

20. INTEREST BEARING ASSETS AND LIABILITIES

Interest bearing assets and liabilities as of December 31, 2002 and 2001 are summarized as follows (Korean won in millions):

	2002		2001	
	Average amount of assets	Interest revenue	Average amount of assets	Interest revenue
<Assets>				
Due from banks in Korean won	₩ 39,091	₩ 1,545	₩ 87,125	₩ 4,713
Due from banks in foreign currencies	13,335	374	1,326,262	65,413
Investment securities	1,742,271	5,472	1,766,331	10,211
Loans in Korean won	2,205,683	122,603	1,734,786	110,948
Loans in foreign currencies	5,222,782	249,357	5,224,178	326,219
Notes bought	549,799	44,842	638,794	48,257
Bills bought	141,837	3,958	10,303	538
Advances to customers	10,337	1,257	24,072	1,181
Call loans in Korean won	61,758	2,706	64,138	3,151
Call loans in foreign currencies	368,897	6,591	527,563	19,481
Loans to banks	435,192	8,922	65,515	6,300
	₩ 10,790,982	₩ 447,627	₩ 11,469,067	₩ 596,412
	2002		2001	
	Average amount of Liabilities	Interest expense	Average amount of Liabilities	Interest expense
<Liabilities>				
Borrowings in Korean won	₩ 575,014	₩ 23,488	₩ 587,547	₩ 24,356
Borrowings in foreign currencies	4,052,654	119,599	3,747,919	211,085
Call money in Korean won	355,628	14,835	218,411	9,982
Call money in foreign currencies	17,735	387	12,451	812
Debentures in Korean won	183,643	10,080	9,858	555
Debentures in foreign currencies	2,093,744	130,704	3,455,653	227,398
	₩ 7,278,418	₩ 299,093	₩ 8,031,839	₩ 474,188

21. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

<2002>	US\$ Thousand		KRW Million	
Assets:				
Due from banks in foreign currencies	US\$	10,077	₩	12,096
Investment securities in foreign currencies		100,540		120,681
Loans in foreign currencies		4,015,744		4,820,499
Bills bought/bills purchased		832,896		999,808
Advances to customers		1,589		1,908
Call loans in foreign currencies		354,700		425,782
Loans to banks in foreign currencies		892,000		1,070,757
Other assets		45,905		55,105
	US\$	6,253,451	₩	7,506,635
Liabilities:				
Borrowings in foreign currencies (*)	US\$	3,437,667	₩	4,126,576
Call money in foreign currencies		31,424		37,721
Debentures in foreign currencies (*)		2,212,074		2,655,374
Other liabilities		86,187		103,459
	US\$	5,767,352	₩	6,923,130

Foreign currencies other than the U. S. dollar are translated into U. S. dollars using the exchange rate prevailing at the balance sheet date.

<2001>	US\$ Thousand		KRW Million	
Assets:				
Due from banks in foreign currencies	US\$	11,399	₩	15,117
Investment securities in foreign currencies		173,404		229,951
Loans in foreign currencies		4,095,396		5,430,904
Bills bought/bills purchased		490,138		649,972
Advances to customers		832		1,104
Call loans in foreign currencies		672,000		891,139
Loans to banks in foreign currencies		92,000		122,001
Other assets		51,928		68,863
	US\$	5,587,097	₩	7,409,051
Liabilities:				
Borrowings in foreign currencies (*)	US\$	2,906,119	₩	3,853,800
Debentures in foreign currencies (*)		2,205,911		2,925,259
Other liabilities		65,776		87,225
	US\$	5,177,806	₩	6,866,284

(*) Valuation adjustments are excluded from the above amounts.

22. ADMINISTRATIVE EXPENSES

Administrative expenses for the years ended December 31, 2002 and 2001 consist of the following (Korean won in millions):

	2002		2001	
Financial management expenses:				
Salaries and wages	₩	33,543	₩	29,904
Others		18,164		15,430
		51,707		45,334
Economic cooperation management expenses				
		507		406
Other administrative expenses:				
Provision for severance and retirement benefits		3,545		2,892
Depreciation		2,085		1,439
Taxes and dues		786		1,487
		6,416		5,818
	₩	58,630	₩	51,558

23. INCOME TAX EXPENSE

Up to December 31, 2001, the Bank had been subject to corporate income taxes, including resident surtax, at aggregate rates of 17.6% on taxable income up to KRW100 million and 30.8% on taxable income in excess of KRW100 million. Starting on January 1, 2002, such tax rates are reduced resulting in revised aggregate rates of 16.5% and 29.7%, respectively.

Reconciliations of income before income taxes for financial reporting purposes and taxable income for corporate income tax reporting purposes for the years ended December 31, 2002 and 2001 are summarized as follows (Korean won in millions):

	2002	2001
Income before income tax expense	₩ 70,872	₩ 9,360
Permanent differences:		
Dividend income	(15,462)	(13,970)
Excess of meal & entertainment expenses limit	472	-
Loss on prior period error correction (accrued income)	-	(6,384)
Other	1,972	(17)
	(13,018)	(20,371)
Temporary differences (addition):		
Provision for severance and retirement benefits	1,363	1,111
Gain on valuation of trading securities at the end of 2001	1,021	5,243
Gain on valuation using equity method at the end of 2001	8,759	16,303
Loss on valuation of trading securities	1,882	-
Impairment loss on investment securities	2,211	-
Present value discount	1,632	-
Gain on valuation of derivative instruments at the end of 2001	151	-
Loss on valuation of derivative instruments	-	59,533
Allowance for possible loan losses	110,206	81,657
Gain on valuation using equity method	-	7,077
Investment securities	19,747	4,951
Debt-equity swap receivables	-	84,597
Others	172	942
	147,144	261,414
Temporary differences (deduction):		
Gain on valuation of trading securities	-	1,021
Allowance for possible loan losses at the end of 2001	81,640	127,701
Gain on valuation using equity method	9,551	-
Loss on valuation of prior year investment securities	13,084	-
Debt-equity swap receivables	20,824	-
Gain on valuation of derivative instruments	-	28,116
Loss on valuation of derivative instruments at the end of 2001	121,649	-
Others	4,534	33
	(251,282)	(156,871)
Taxable income (loss)	₩ (46,284)	₩ 93,532

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax reporting purposes. Significant changes in cumulative temporary differences for the year ended December 31, 2002 are as follows (Korean won in millions):

	Beginning balance	Increase (*1)	Decrease (*1)	Ending balance
Severance and retirement benefits	₩ 3,639	₩ 1,363	₩ -	₩ 5,002
Depreciation	227	214	-	441
Prepaid expenses	134	66	135	65
Allowance for loan losses	81,657	110,189	81,640	110,206
Trading securities	(1,021)	1,883	(1,020)	1,882
Impairment loss on investment securities	13,298	21,744	13,084	21,958
Loss (gain) on valuation using equity method	4,400	8,759	22,711	(9,552)
Loss (gain) on valuation of derivatives	66,677	143,391	165,783	44,285
Convertible securities	84,597	-	42,454	42,143
Present value discounts	-	6,031	4,399	1,632
Others	-	(7)	(7)	-
Sub total	253,608	293,633	329,179	218,062
Tax loss carryforwards	-	46,284	-	46,284
Total	253,608	₩ 339,917	₩ 329,179	264,346
Tax rate	29.7			29.7
Deferred income tax asset	₩ 75,317			78,511
Allowance				(24,784)
Net				₩ 53,727

(*1) The amounts include changes resulting from the 2001 final tax return filed in March 2002.

Management has elected to recognize a portion of the net operating loss carryforwards available and recorded a deferred tax asset of KRW53,727 million.

Significant changes in cumulative temporary differences for the year ended December 31, 2001 are as follows (Korean won in millions):

	Beginning of year (*)	Addition	Deduction	End of year
Severance and retirement benefits	₩ 2,528	₩ 1,111	₩ -	₩ 3,639
Depreciation	227	-	-	227
Prepaid expenses	6	134	6	134
Allowance for loan losses	127,701	81,657	127,701	81,657
Not-used inventories	27	-	27	-
Accrued income	(2)	-	(2)	-
Trading securities	(5,243)	(1,021)	(5,243)	(1,021)
Impairment loss on investment securities	8,347	4,951	-	13,298
Equity gain	(18,980)	7,077	(16,303)	4,400
Loss on valuation of derivatives	35,260	45,499	14,082	66,677
Debt-equity swap receivables	-	84,597	-	84,597
Total	149,871	₩ 224,005	₩ 120,268	253,608
Tax rate	30.8%			29.7%
Deferred income tax asset	₩ 46,101			₩ 75,317

(*)The amounts are different from those in the prior year's audit report to reflect the 2000 final tax return filed in March 2001.

Income tax expense for the years ended December 31, 2002 and 2001 is comprised of the following (Korean won in millions):

	2002	2001
Income tax payable	₩ -	₩ 28,794
Decrease (increase) in deferred income tax assets	21,590	(29,216)
Increase in income tax payable due to the prior year's tax return	(5,004)	-
Income tax expense	16,586	(422)
Income before income tax	70,872	9,360
Effective tax rate	23.4%	-

24. TRANSACTIONS WITH RELATED PARTIES

Significant transactions between the Bank and its controlled subsidiaries for the years ended December 31, 2002 and 2001 are as follows (Korean won in millions):

<2002>

	Assets and liabilities	Income	Expenses	
KEXIM Bank UK Limited	Due from banks in foreign currencies	₩ 160,854	₩ 1,517	₩ -
	Call loans in foreign currencies	6,002	71	-
	Loans in foreign currencies	12,004	-	-
	Other assets	227	-	-
	Debentures in foreign currencies	5,064	-	210
KEXIM Vietnam Leasing Co., Ltd.	Loans in foreign currencies	13,897	256	-
	Advance payments on acceptances and guarantees	599	-	-
	Other assets	62	9	-
PT KOEXIM Mandiri Finance	Due from banks in foreign currencies	69,623	1,371	-
	Loans in foreign currencies	12,004	361	-
	Other assets	269	-	-

<2001>

	Assets and liabilities	Income	Expenses	
KEXIM Bank UK Limited	Due from banks in foreign currencies	₩ 35,805	₩ 2,921	₩ -
	Call loans in foreign currencies	-	156	-
	Other assets	33	-	-
	Debentures in foreign currencies	5,477	-	411
KEXIM Vietnam Leasing Co., Ltd.	Loans in foreign currencies	5,286	415	-
	Other assets	113	-	-
PT KOEXIM Mandiri Finance	Due from banks in foreign currencies	72,936	2,848	-
	Other assets	350	-	-

25. CONTINGENCIES AND COMMITMENTS

Acceptances and guarantees as of December 31, 2002 and 2001 consist of the following (Korean won in millions):

	2002	2001
Confirmed acceptances and guarantees:		
Contract performance	₩ 1,919,777	₩ 1,649,283
Repayment of advances from customers	8,265,603	6,728,268
Acceptances	600	188
Import L/C acceptances	9,018	-
Others in foreign currencies	289,132	230,334
	₩ 10,484,130	₩ 8,608,073
Contingent acceptances and guarantees:		
Customer's liability on letters of credit	₩ 124,285	₩ 1,416
Others	6,279,245	5,314,390
	₩ 6,403,530	₩ 5,315,806

Acceptances and guarantees by geography and borrower type as of December 31, 2002 and 2001 are as follows (Korean won in millions):

<2002>

By geography	Confirmed acceptances and guarantees				Contingent acceptances and guarantees				Total		
	Acceptances and guarantees in Korean won		Acceptances and guarantees in foreign currencies		Acceptances and guarantees in Korean won		Acceptances and guarantees in foreign currencies		Amount	%	
	Amount	%	Amount	%	Amount	%	Amount	%			
Asia	India	₩ -	-	₩ 331,490	3.17	₩ -	-	₩ 151,380	2.36	₩ 482,870	2.86
	Japan	-	-	223,834	2.14	-	-	169,819	2.65	393,653	2.33
	Iran	-	-	451,768	4.32	-	-	47,566	0.74	499,334	2.96
	U. A. E	-	-	303,111	2.9	-	-	-	-	303,111	1.79
	Others	19,400	87.94	1,531,628	14.63	744	100.00	652,005	10.18	2,203,777	13.05
Europe	France	-	-	262,472	2.51	-	-	329,984	5.15	592,456	3.51
	Germany	-	-	652,701	6.24	-	-	197,948	3.09	850,649	5.04
	Malta	-	-	286,133	2.73	-	-	113,216	1.77	399,349	2.36
	Norway	-	-	658,941	6.3	-	-	640,308	10.00	1,299,249	7.69
	England	-	-	325,999	3.12	-	-	175,869	2.75	501,868	2.97
	Others	2,660	12.06	649,187	6.21	-	-	550,202	8.59	1,202,049	7.12
The Americas	Bermuda	-	-	540,515	5.17	-	-	821,872	12.84	1,362,387	8.07
	Panama	-	-	518,416	4.96	-	-	232,133	3.63	750,549	4.44
	Others	-	-	676,221	6.46	-	-	258,099	4.03	934,320	5.53
Africa	Liberia	-	-	2,338,957	22.35	-	-	1,615,329	25.23	3,954,286	23.42
	Others	-	-	436,036	4.17	-	-	46,506	0.73	482,542	2.86
Oceania	Marshall Islands	-	-	261,690	2.5	-	-	361,079	5.64	622,769	3.69
	Others	-	-	12,971	0.12	-	-	39,471	0.62	52,442	0.31
		₩ 22,060	100.00	₩10,462,070	100.00	₩ 744	100.00	₩6,402,786	100.00	₩16,887,660	100.00

By borrower	Confirmed acceptances and guarantees				Contingent acceptances and guarantees				Total	
	Acceptances and guarantees in Korean won		Acceptances and guarantees in foreign currencies		Acceptances and guarantees in Korean won		Acceptances and guarantees in foreign currencies		Amount	%
	Amount	%	Amount	%	Amount	%	Amount	%		
Corporate	₩ 22,060	100.00	₩ 10,444,814	99.84	₩ 744	100.00	₩ 6,402,786	100.00	₩ 16,870,404	99.90
Public and other	-	-	17,256	0.16	-	-	-	-	17,256	0.10
Total	₩ 22,060	100.00	₩ 10,462,070	100.00	₩ 744	100.00	₩ 6,402,786	100.00	₩ 16,887,660	100.00

<2001>

By geography		Confirmed acceptances and guarantees				Contingent acceptances and guarantees				Total	
		Acceptances and guarantees in Korean won		Acceptances and guarantees in foreign currencies		Acceptances and guarantees in Korean won		Acceptances and guarantees in foreign currencies		Amount	%
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Asia	India	₩ -	-	₩ 274,117	3.19	₩ -	-	₩ 128,957	2.43	₩ 403,074	2.89
	Japan	-	-	111,071	1.29	-	-	281,861	5.31	392,932	2.82
	Iran	-	-	310,823	3.62	-	-	8,474	0.16	319,297	2.29
	U. A. E	-	-	342,583	3.99	-	-	-	-	342,583	2.46
	Others	10,759	54.78	1,343,710	15.65	5,385	100.00	529,498	9.97	1,889,352	13.57
Europe	France	-	-	301,198	3.51	-	-	24,409	0.46	325,607	2.34
	Germany	-	-	282,231	3.29	-	-	105,696	1.99	387,927	2.79
	Malta	-	-	426,028	4.96	-	-	153,455	2.89	579,483	4.16
	Norway	-	-	380,241	4.43	-	-	314,806	5.93	695,047	4.99
	England	-	-	224,206	2.61	-	-	195,175	3.68	419,381	3.01
	Others	8,881	45.22	655,927	7.64	-	-	398,290	7.50	1,063,098	7.64
	The Americas	Bermuda	-	-	553,254	6.44	-	-	351,913	6.63	905,167
	Panama	-	-	487,448	5.68	-	-	522,867	9.85	1,010,315	7.26
	Others	-	-	407,904	4.75	-	-	171,416	3.23	579,320	4.16
Africa	Liberia	-	-	1,826,213	21.26	-	-	1,925,960	36.27	3,752,173	26.95
	Others	-	-	324,772	3.78	-	-	29,513	0.56	354,285	2.54
Oceania	Australia	-	-	6,276	0.07	-	-	-	-	6,276	0.05
	Marshall Islands	-	-	330,431	3.85	-	-	168,131	3.17	498,562	3.58
		₩ 19,640	100.00	₩ 8,588,433	100.00	₩ 5,385	100.00	₩ 5,310,421	100.00	₩ 13,923,879	100.00

By borrower		Confirmed acceptances and guarantees				Contingent acceptances and guarantees				Total	
		Acceptances and guarantees in Korean won		Acceptances and guarantees in foreign currencies		Acceptances and guarantees in Korean won		Acceptances and guarantees in foreign currencies		Amount	%
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Corporate		₩ 19,640	100.00	₩ 8,455,823	98.46	₩ 5,385	100.00	₩ 5,310,421	100.00	₩ 13,791,269	99.05
Public and other		-	-	132,610	1.54	-	-	-	-	132,610	0.95
Total		₩ 19,640	100.00	₩ 8,588,433	100.00	₩ 5,385	100.00	₩ 5,310,421	100.00	₩ 13,923,879	100.00

As of December 31, 2002, the Bank is plaintiff in six legal actions amounting to KRW2,912 million and US\$192,049 thousand. The outcome of these lawsuits cannot presently be determined.

26. DERIVATIVE INSTRUMENTS

Notional amounts, valuation gain and loss, and assets and liabilities of outstanding derivative instruments as of December 31, 2002 and 2001 are as follows (Korean won in millions):

<2002>

	Notional amounts		Valuation gain (loss), net	Accumulated valuation gain and loss	
	Trading transaction	Hedging transaction	Hedging transaction	Assets	Liabilities
	Currency swaps	₩ -	₩ 314,641	₩ 15,899	₩ 3,815
Interest rate swaps	-	1,450,083	(27,585)	15,514	32,582
	₩ -	₩ 1,764,724	₩ (11,686)	₩ 19,329	₩ 47,546

<2001>

	Notional amounts		Valuation gain (loss), net	Accumulated valuation gain and loss	
	Trading transaction	Hedging transaction	Hedging transaction	Assets	Liabilities
	Currency swaps	₩ -	₩ 542,026	₩ (53,782)	₩ -
Interest rate swaps	-	2,217,239	7,668	19,480	2,043
	₩ -	₩ 2,759,265	₩ (46,114)	₩ 19,480	₩ 150,303

The Bank has entered into various derivative agreements with financial institutions, including interest rate swap contracts and currency swap contracts to hedge the risk from rapid fluctuations of interest and foreign exchange rates relating to investment securities, borrowings in foreign currencies and debentures in foreign currencies.

27. NON-OPERATING INCOME AND EXPENSES

Non-operating income and expenses for the years ended December 31, 2002 and 2001 consist of the following (Korean won in millions):

	2002		2001	
Non-operating income:				
Equity gain	₩	792	₩	-
Gain on disposal of investment securities		11,887		7,446
Gain on disposal of fixed assets		129		179
Rental income		36		139
Reversal of impairment losses on investment securities		427		-
Others		747		1,310
	₩	14,018	₩	9,074
Non-operating expenses:				
Equity loss	₩	-	₩	7,077
Loss on disposal of fixed assets		192		392
Impairment losses on investment securities		6,154		4,810
Loss on disposal of investment securities		22,324		1,474
Others		1,743		1,625
	₩	30,413	₩	15,378

28. EMPLOYEE WELFARE

Employee benefit expenses during the years ended December 31, 2002 and 2001 are as follows (Korean won in millions):

	2002		2001	
Meal expenses	₩	897	₩	974
Medical expenses		91		92
Fringe benefits		3,157		2,954
Healthcare expenses		180		132
Clothing expenses		13		10
	₩	4,338	₩	4,162

29. TRAINING EXPENSES

For the years ended December 31, 2002 and 2001, the Bank paid KRW703 million and KRW512 million to local and foreign training institutes for employee training programs, respectively.

30. FINANCIAL DATA FOR CALCULATION OF ADDED VALUE

The accounts and amounts which are required to be disclosed in connection with the calculation of the added value of the Bank's operations for the years ended December 31, 2002 and 2001 are as follows (Korean won in millions):

	2002		2001	
Salaries and wages	₩	33,543	₩	29,904
Provision for severance and retirement benefits		3,545		2,891
Fringe benefits		4,325		4,151
Rental expense		549		73
Depreciation		2,085		1,439
Taxes and dues		786		1,488
	₩	44,833	₩	39,946

31. THE KOREAN ECONOMY

In response to general unstable economic conditions, the Korean government and the private sector have been implementing structural reforms to historical business practices. Implementation of these reforms is progressing slowly, particularly in the areas of restructuring private enterprises and reforming the banking industry. The Korean government continues to apply pressure to Korean companies to restructure into more efficient and profitable firms. The Bank may be either directly or indirectly affected by these general unstable economic conditions and the reform program described above. The accompanying financial statements reflect management's assessment of the impact to date of the economic situation on the financial position of the Bank. Actual results may differ materially from management's current assessment.



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To The Export-Import Bank of Korea

We have audited the accompanying balance sheets of The Export-Import Bank of Korea ("the Bank") as of December 31, 2002 and 2001, and the related statements of income, appropriations of unappropriated retained earnings, and cash flows for the years then ended. 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 the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Export-Import Bank of Korea as of December 31, 2002 and 2001, and the results of its operations, appropriations of unappropriated retained earnings, and cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

As disclosed in Note 6 of the financial statements, Daewoo Corporation and several companies which had been members of the Daewoo Group, are under a workout process that includes the rescheduling of interest and principal and conversion of loan to equity securities. The Bank's outstanding loans, net of present value discount (including confirmed acceptances and guarantees), to those companies under workout as of December 31, 2002 amount to KRW3,065,927 million. These loans are classified as normal of KRW2,768,903 million, precautionary of KRW206,432 million, substandard of KRW9,289 million, doubtful of KRW81,094 million and estimated loss of KRW209 million, for which an allowance for possible loan losses of KRW104,516 million was provided. Collectibility of these loans may be affected by the restructuring of companies under workout programs.

As disclosed in Note 6 of the financial statements, the Bank's outstanding loans, net of present value discount (including confirmed acceptances and guarantees), to companies (excluding the companies mentioned above) under court receivership, composition, and workout as of December 31, 2002 amount to KRW87,326 million. These loans are classified as normal of KRW9,869 million, precautionary of KRW22,253 million, substandard of KRW8,183 million, and doubtful of KRW47,021 million for which an allowance for possible loan losses of KRW50,836 million was provided. Collectibility of these loans may be affected by such restructuring of companies.

As more fully discussed in Note 6 of the financial statements, the Bank extended loans of US\$465,504 thousand to the Bank for Foreign Affairs of the USSR in 1991 and 1992 with a guarantee of the Russian Government, which were scheduled to be repaid in 1993 and 1994. However, repayment of those loans and interest has been delayed due to the Russian economic crisis. As of December 31, 2002, US\$191,314 thousand of those loans had not been repaid and were outstanding. As of December 31, 2002, the Bank classified the above outstanding loans as estimated loss and provided a full allowance for possible loan losses. Collectibility of these loans may be affected by the repayment negotiation in process.

As disclosed in Note 6 of the financial statements, the Bank's outstanding loans (including confirmed acceptances and guarantees) to SK Global and its overseas subsidiaries, which are being investigated by the Korean regulator, amount to KRW517,749 million as of December 31, 2002. The Bank's allowance for possible loan losses for the loans may be different from actual future losses. The accompanying financial statements do not reflect any adjustments due to this uncertainty.

As mentioned in Notes 2 and 15, certain new accounting standards were issued by the Korean Accounting Standards Board (KASB) in 2002, to meet international practices. The new standards will apply to Korean companies for the first fiscal year starting after December 31, 2002 or earlier. The Bank, as allowed by the KASB, elected to adopt in 2002 one of the new accounting standards for the revenue recognition. As required, the 2001 financial statements were restated to reflect the impact of adoption of the revised accounting standard. Net income in 2001 decreased by KRW8,650 million,

shareholders' equity decreased by KRW37,806 million, and total liabilities increased by KRW54,632 million as of December 31, 2001, as a result of the restatement. Also, net income in 2002 increased by KRW7,433 million and shareholder's equity as of December 31, 2002 decreased by KRW30,373 million under the new accounting standard.

The amounts expressed in U. S. dollars, provided solely for the convenience of the reader, have been translated on the basis set forth in Note 2 to the accompanying 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 accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those who are knowledgeable about Korean accounting principles and auditing standards and their application in practice.

January 24, 2003

Auditor's Statement

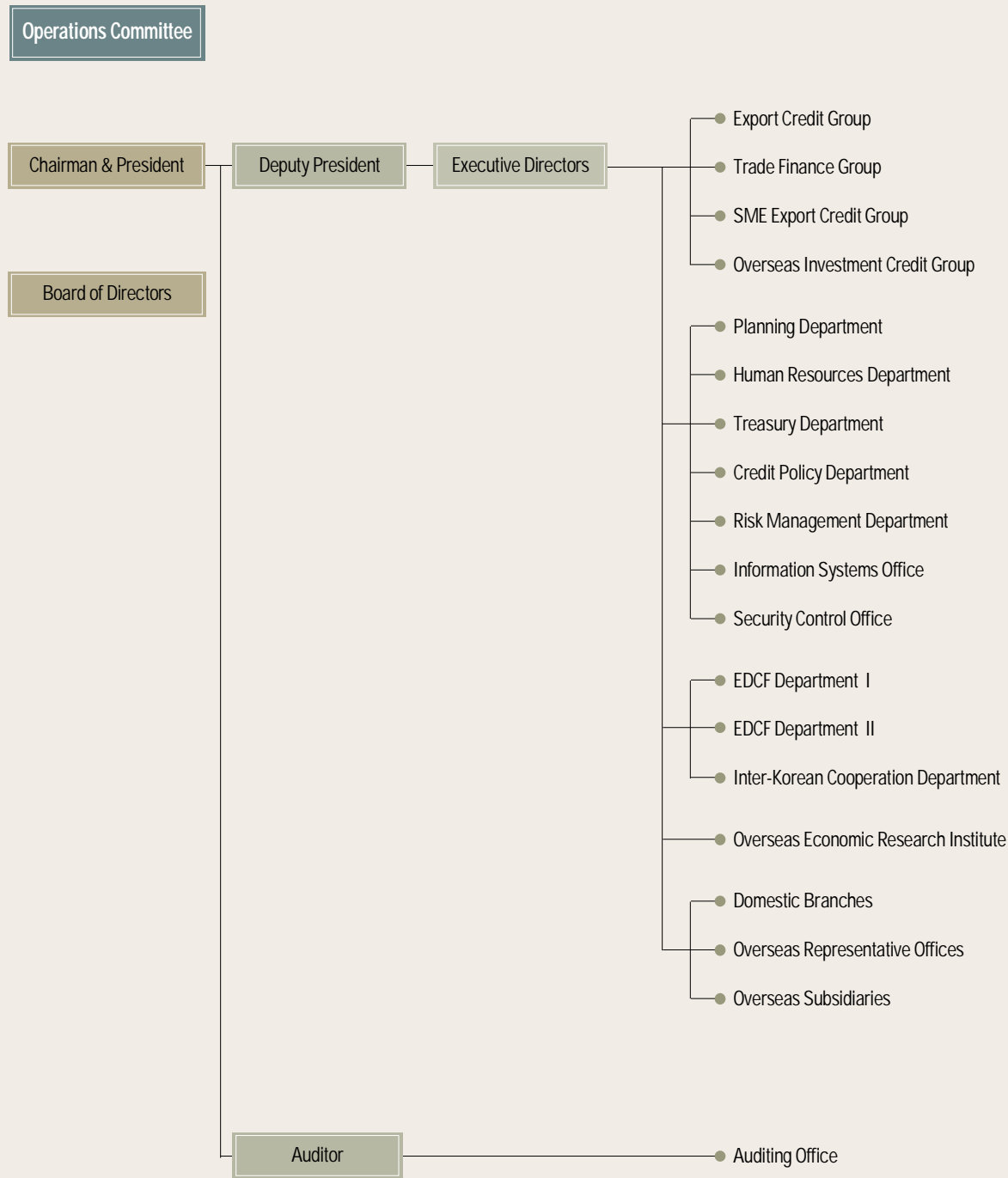
I have audited the accompanying balance sheets of The Export-Import Bank of Korea as of December 31, 2002 and 2001, and the related statements of income, appropriations of unappropriated retained earnings, and cash flows for the years then ended. I have conducted my audit in accordance with The Export-Import Bank of Korea Act and its related regulations.

The accounting principles and practices followed by The Export-Import Bank of Korea are in conformity with The Export-Import Bank of Korea Act and its related regulations, and with generally accepted accounting principles prevailing in the Republic of Korea. In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2002 and 2001, and the result of its operation, appropriations of unappropriated retained earnings, and cash flows for the years then ended, in conformity with such accounting principles and accounting practices applicable to the Bank in the Republic of Korea.

February 19, 2003

Il-Sung Shin
Auditor

Organization Chart



Board of Directors



Chairman & President
Young-Hoi Lee



Deputy President
Gyu Lee



Executive Director
Jin-Ho Kim



Executive Director
Tae-Hee Kim



Auditor
Il-Sung Shin



Executive Director
Sang-Kyun Jo



Executive Director
Dong-Kwan Kim

Principal Officers & Domestic Branches

PRINCIPAL OFFICERS

Export Credit Group	Director General Tae-Dong Park	Credit Policy Department	Director General Ji-Ho Choi
Ship Financing Office	Pyung-Ku Lee	Loan Administration Office	Sung-Jae Song
Trade Finance Group	Joong-Ouk Shin	Legal Office	Kyung-Moo Lee
Structured Trade Finance Office	Say-Young Park	Risk Management Department	Hee-Sun Yoo
Import Credit Office	Keun-Joo Youk	Credit Risk Rating Office	Chang-Duck Kim
SME Export Credit Group	Yeon-Soo Park	Information Systems Office	Su-Jea Lee
Overseas Investment Credit Group	Kyung-Suk Hong	Security Control Office	Nam-Kuk Kim
Planning Department	Yong-An Choi	EDCF Department I	Sung-Soo Lim
Secretary Office	Dong-Soo Park	EDCF Department II	Joong-Nae Lee
Public Relations Office	Dong-Ho Park	Inter-Korean Cooperation Department	Sang-Hun Lee
International Relations Office	Succ-Young Kim	Inter-Korean Reconciliation Support Office	Baek-Kyu Kim
Human Resources Department	Jung-Ha Choi	Overseas Economic Research Institute	Jai-Min Lee
Administration Support Office	Hong-Jin Choi	Country Research & Risk Evaluation Office	Gil-Sang Woo
Treasury Department	Sung-Uk Hong	Knowledge-Based Economy Office	Joo-Shik Kong
International Investment Banking Office	Suk-Kee Ko	Auditing Office	Wook Lee

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