

Balance Sheets

(Trust Accounts)

		2000		1999	
DECEMBER 31, 2000 AND 1999		In Millions of Korean Won	In Thousands of U.S. Dollars (Note 3)	In Millions of Korean Won	In Thousands of U.S. Dollars (Note 3)
ASSETS (Note 2)					
Securities	W	2,098,166	\$ 1,665,608	W 1,851,441	\$ 1,469,748
Loans		137,001	108,757	352,821	280,083
Call loan		30,000	23,815	—	—
Receivables in trust		154,444	122,604	—	—
Properties in trust		39,000	30,960	39,000	30,960
Accrued income		50,333	39,956	47,168	37,444
Other assets		46,863	37,202	8,299	6,588
Due from banking accounts		58,239	46,232	237,922	188,872
Provision for possible loan losses		(62,882)	(49,918)	(78,948)	(62,673)
		W 2,551,164	\$ 2,025,216	W 2,457,701	\$ 1,951,022
LIABILITIES (Note 2)					
Money trusts	W	2,165,281	\$ 1,718,886	W 2,260,972	\$ 1,794,849
Receivable money trusts		154,445	122,604	—	—
Other trusts		39,000	30,960	39,000	30,960
Borrowings		113,690	90,252	—	—
Accrued trust dividends		58,045	46,078	152,600	121,140
Other liabilities		17,943	14,245	2,816	2,236
Provision for future trust losses		2,760	2,191	2,313	1,837
		W 2,551,164	\$ 2,025,216	W 2,457,701	\$ 1,951,022
<i>The accompanying notes are an integral part of these financial statements.</i>					

Statements of Operations

(Trust Accounts)

	2000		1999	
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999	In Millions of Korean Won	In Thousands of U.S. Dollars (Note 3)	In Millions of Korean Won	In Thousands of U.S. Dollars (Note 3)
REVENUE:				
Interest on securities	W 149,521	\$ 118,696	W 203,121	\$ 161,245
Interest on call loans	137	109	856	680
Interest on loans	19,959	15,844	61,406	48,746
Other interest income	4,697	3,728	1,040	826
	174,314	138,377	266,423	211,497
Gain on derivatives transactions	1,325	1,052	5,084	4,036
Gain from securities	51,420	40,819	170,897	135,665
Transfer from the Bank's banking accounts	3,862	3,067	13,137	10,429
Other income	95,041	75,447	36,378	28,878
Reversal of provision for possible loan losses	15,669	12,439	11,888	9,437
	341,631	271,201	503,807	399,942
EXPENSES:				
Commission expenses	1,616	1,283	3,899	3,095
Loss on derivatives transactions	1,671	1,327	6,478	5,142
Loss from securities	103,773	82,379	158,112	125,516
Trust fees to the Bank (Note 2)	17,605	13,976	26,496	21,034
Other expenses	11,218	8,905	6,106	4,847
Provision for possible loan losses	40,020	31,769	3,783	3,003
	175,903	139,639	204,874	162,637
Dividend of trust profit to beneficiaries	W 165,728	\$ 131,562	W 298,933	\$ 237,305
<i>The accompanying notes are an integral part of these financial statements.</i>				

Notes to Financial Statements

(Trust Accounts)

DECEMBER 31, 2000 AND 1999

note1 . Summary of Significant Accounting Policies:

Accounting for Trust Accounts -

Under the Trust Business Act, the Bank's trust funds held as fiduciary are accounted for and reported separately from the Bank's banking accounts. The significant accounting policies applied in the preparation of the accompanying financial statements of the Bank's trust accounts are summarized as follows:

- Basis of Financial Statement Presentation

The official accounting records of the Bank Trust Accounts are expressed and maintained in Korean Won in accordance with the Trust Business Act and related regulations in the Republic of Korea.

Under the Trust Business Act, the trust funds held as fiduciary are accounted for and reported separately from the Bank's own commercial banking business.

For the convenience of the readers, the accompanying financial statements have been condensed, restructured and translated into English from the Bank Trust Accounts' statutory Korean language non-consolidated financial statements with certain expanded descriptions. Such financial statements are not intended to present the financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea.

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

- Revenues and Expenses of Trust Accounts

Trust accounts comprise trust operating revenues and expenses, trust fees to the Bank, and dividends of trust profit to the beneficiaries of the trust accounts. The trust fees to the Bank are recognized as income of the banking accounts of the Bank.

- Interest Income Recognition

Interest income on loans and debt securities of the Bank's trust accounts are recognized using the same method as the banking accounts of the Bank.

- Due From Banking Accounts

The Bank's trust account deposits certain amounts for drawing of unspecified money trusts. Such deposits are recorded as due from banking accounts. Interest on these deposits is computed and recorded daily.

- Trust Fees

The Bank's banking accounts receive trust fees from the trust accounts for its management of trust assets and operations, and are entitled to receive special trust fees for certain trust accounts in accordance with the relevant laws and regulations applicable to trust operations.

- Investment Securities

Securities held by the Bank's trust accounts are stated at market value or net book value determined using the same method as the banking accounts of the Bank. However, debt securities held by the funds organized before November 13, 1998 are stated at cost in accordance with the transitional provisions of Trust Business Act and related regulations.

- Provision for Future Trust Losses

The Bank's trust accounts are required to set up a special allowance, to exceed 25% of trust fees to the Bank until the total allowance equals 5% of the related trust balance.

- Provision for Possible Loan Losses

The Bank provides provisions for possible loan losses for the trust assets not marked to market determined using the same method as the banking accounts of the Bank.

- Compensation from the Bank

Certain money trust agreements provide that the Bank guarantees a minimum rate of return. In relation to such guarantees, if the income from trust operations is insufficient to generate the required rate of return, the deficiency may be either recovered from previously established provisions for future trust losses or compensated by the Bank's banking accounts. Such compensation is accounted for as other expenses of the banking accounts and other incomes of the trust accounts, respectively, in accordance with the relevant laws and regulations applicable to trust operations. The Bank's banking accounts compensated 86,212 million won for the loss of certain trust accounts in December 31, 2000.

- Restructuring of Impaired Loans

Loans which are impaired due to restructuring of the borrower, court mediation or negotiation, are revalued using the adjusted interest rate. The difference between book value and the readjusted value is offset against the provision for possible loan losses, and the remaining difference is recognized as bad debt expenses in the year incurred. The difference between the nominal value and

the present value of these account receivables is amortized over the installment period using the effective interest method. Resulting amortization is recognized as interest income.

- Securities Investment Trust Accounts

Securities investment trust accounts are not included in financial statements of trust accounts due to the guidelines of the Financial Supervisory Service.

note2 . Details of Trust Accounts:

Nature of Money Trust Accounts -

The details of trust accounts are as follows:

Trust	Trust terms		
	Maturity(years)	Dividend rate	Repayment guarantees
Money Trusts			
General unspecified money trusts(*)	over 1.5	Fixed	Principal and rate of return
Installment money trusts (fixed)(*)	over 1.5	Fixed	Principal and rate of return
Installment money trusts (Co-mingled and managed jointly)	over 1.5	Floating	-
Development trusts(*)	2,3 and 5	Fixed	Principal and rate of return
Household money trusts(*)	1.5	Floating	-
Corporation money trusts(*)	1.5	Floating	-
Old-age living pension trusts(*)	over 5	Floating	Principal
Individual pension trusts(*)	over 10	Floating	Principal
Household long term trusts(*)	3 ~ 5	Floating	-
Labor preferential trusts(*)	3 ~ 5	Floating	-
New installment trusts(*)	over 1.5	Floating	-
Employee Retirement trusts(*)	retirement	Floating	Principal
Retirement trusts	-	Floating	Principal
Additional money trusts	1	Floating	-
New individual pension trusts	over 10	Floating	Principal
New old-age living pension trusts	over 5	Floating	Principal
Specified money trusts	over 0.25	Floating	-

(*) New sales for the year ended December 31, 2000 have been suspended.

In addition to the above money trusts, the Bank manages collateral debenture trusts, receivable money trusts and securities investment trusts. Securities investment trust accounts are not included in financial statements of trust accounts due to the guidelines of the Financial Supervisory Service.

Accrued income -

The Bank has recognized accrued income from securities and loans managed in Trust Accounts as of December 31, 2000 and 1999.

Notes to Financial Statements

(Trust Accounts)

DECEMBER 31, 2000 AND 1999

The followings are condensed balance sheets and statements of operations of Trusts Account by category as of December 31, 2000 and 1999.

Condensed Balance Sheets

	Millions of Won					
	Guaranteed principal or rate of return trust		Non-Guaranteed trusts		Total	
	2000	1999	2000	1999	2000	1999
(Assets)						
Loans	W 46,103	W103,912	W 90,898	W 248,909	W 137,001	W 352,821
Investment in securities	280,994	578,006	1,817,172	1,273,435	2,098,166	1,851,441
Others	75,707	80,785	303,172	251,603	378,879	332,388
Provision for possible loan losses	(59,827)	(74,375)	(3,055)	(4,574)	(62,882)	(78,949)
Total	342,977	688,328	2,208,187	1,769,373	2,551,164	2,457,701
(Liabilities)						
Money and other trusts	204,891	577,164	2,153,835	1,722,808	2,358,726	2,299,972
Provision for future trust losses	2,679	2,031	81	282	2,760	2,313
Accrued trust dividends	7,912	108,224	50,133	44,376	58,045	152,600
Borrowings	113,690	-	-	-	113,690	-
Others	13,805	909	4,138	1,907	17,943	2,816
Total	W342,977	W688,328	W2,208,187	W1,769,373	W2,551,164	W2,457,701

Condensed Statements of Operations

	Millions of Won					
	Guaranteed principal or rate of return trust		Non-Guaranteed trusts		Total	
	2000	1999	2000	1999	2000	1999
(Revenue)						
Interest income	W38,980	W 99,795	W135,334	W166,628	W174,314	W 266,423
Gains on securities	15,268	101,020	36,152	69,877	51,420	170,897
Other	101,713	52,586	14,184	13,901	115,897	66,487
Total	155,961	253,401	185,670	250,406	341,631	503,807
(Expenses)						
Commissions paid	852	2,554	764	1,345	1,616	3,899
Loss on securities	58,014	108,079	45,759	50,033	103,773	158,112
Taxes and dues	1,172	2,024	1,375	1,663	2,547	3,687
Trust fees to the Bank	1,708	717	15,897	25,779	17,605	26,496
Provisions for possible loan losses	38,225	547	1,795	3,236	40,020	3,783
Other expenses	9,940	7,560	402	1,337	10,342	8,897
	109,911	121,481	65,992	83,393	175,903	204,874
Dividends of trust profit to beneficiaries	W46,050	W131,920	W119,678	W167,013	W165,728	W 298,933

Investments in Securities -

Investments in securities as of December 31, 2000 and 1999 are as follows:

	Annual Interest Rate (%)	Millions of Won	
	2000.12.31	2000	1999
Government bonds	6.71 - 9.02	W 116,166	W 31,163
Financial bonds	—	270,214	116,887
Monetary stabilization bonds	6.35 - 8.92	(214,228)	(78,427)
Other financial bonds	7.13 - 9.50	(55,986)	(38,460)
Corporate bonds	6.50 - 24.90	792,992	820,332
Equity investments	—	343,786	296,408
Beneficiary certificates	—	77,861	488,830
Commercial paper	6.48 - 12.50	406,086	89,954
Negotiable Certificate of Deposit	—	—	7,867
Others	7.96 - 9.35	91,061	—
		W2,098,166	W1,851,441

Trust fees -

The Bank's Banking Accounts receive trust fees ranging from 0.1% to 2.0% of trusted assets for its management services and are entitled to receive special trust fees from certain trusts in accordance with the relevant laws and regulations applicable to trust operations.

note3 . United States Dollar Amounts:

The Bank Trust Accounts 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 readers. Won amounts are expressed in U.S. Dollars at the rate of W1,259.7:US\$1, the basic rate on December 31, 2000. This presentation is not required by or in accordance with Korean generally accepted accounting principles and should not be construed as a representation that the Won amounts shown could be converted to or settled in U.S. Dollars at this or any other rate.

The 1999 U.S. Dollar amounts, which were previously expressed at W1,145.4:US\$1, the rate prevailing on December 31, 1999, have been restated to reflect the exchange rate in effect on December 31, 2000.