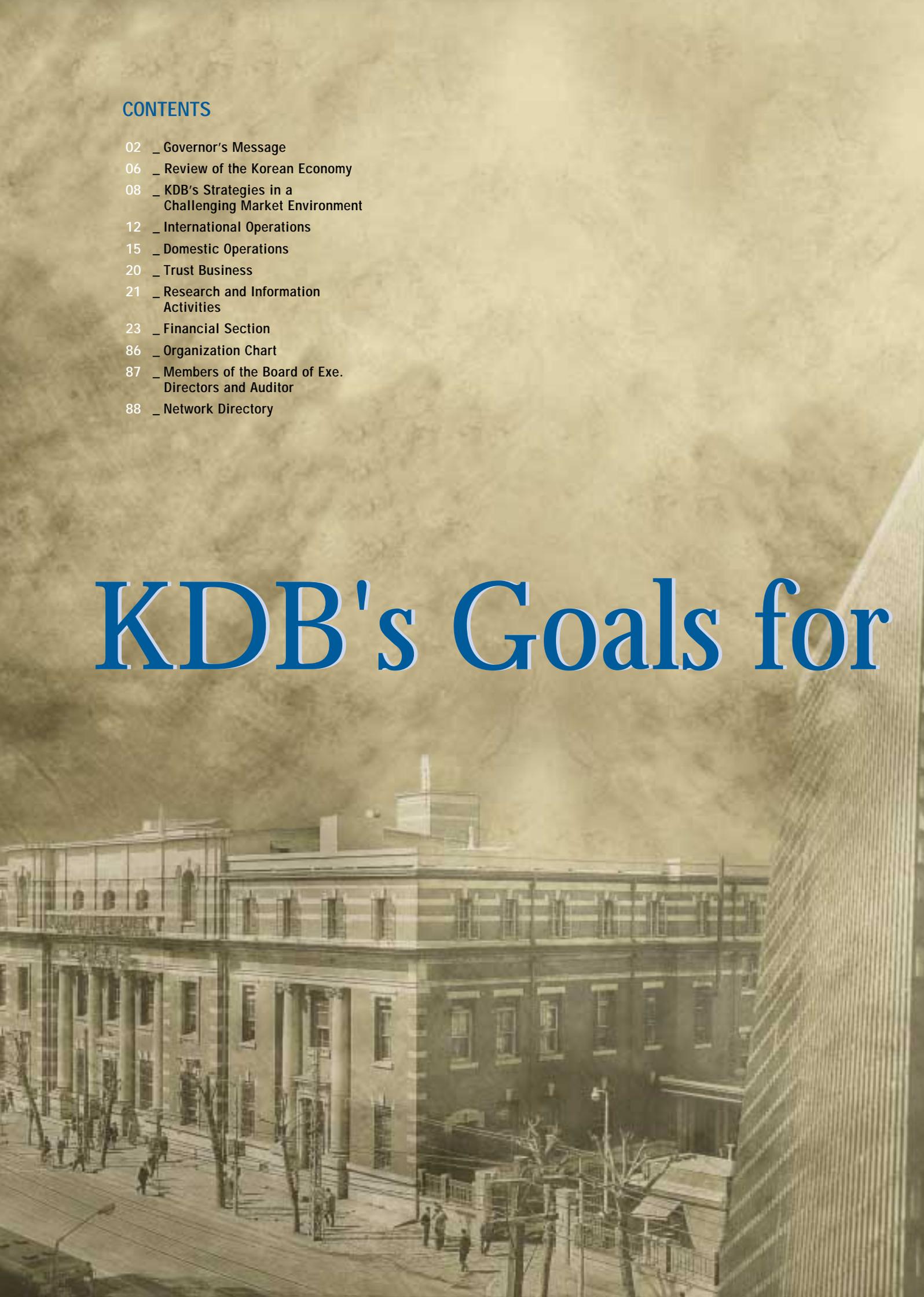
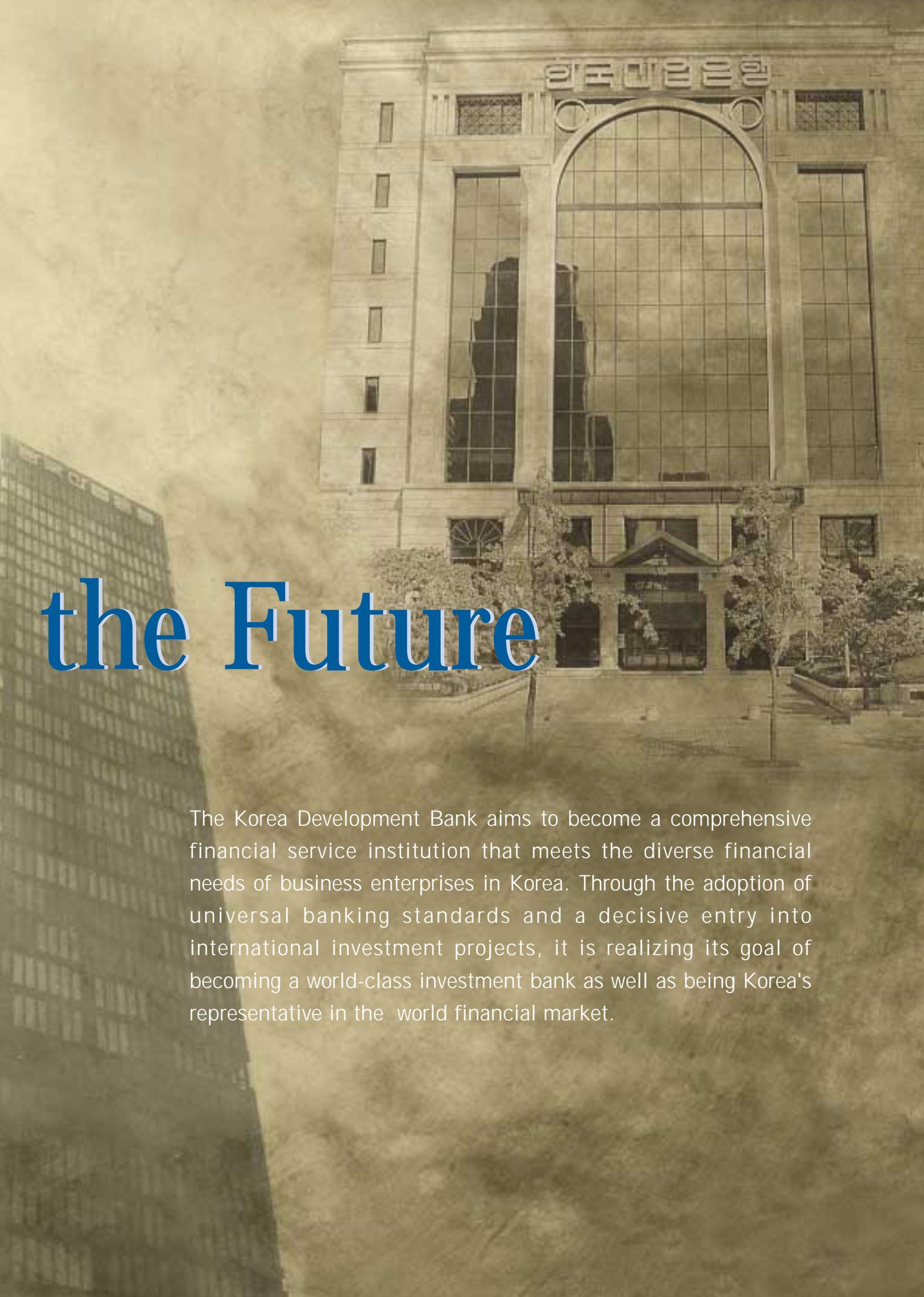


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KDB's Goals for





the Future

The Korea Development Bank aims to become a comprehensive financial service institution that meets the diverse financial needs of business enterprises in Korea. Through the adoption of universal banking standards and a decisive entry into international investment projects, it is realizing its goal of becoming a world-class investment bank as well as being Korea's representative in the world financial market.

Governor's Message



Rak-Yong Uhm
Governor

Amid the ever-changing and challenging business environment, the Korea Development Bank continues its intense efforts to revitalize and support the Korean economy and its growth potential.

In 2000, the KDB aggressively expanded its bond underwriting activities to alleviate the credit crunch in the corporate bond market, and increased its direct equity investment in SMEs and venture businesses.

The Korean economy enjoyed a banner year in 2000 thanks to brisk facility investment and increased exports. GDP grew 8.8 percent and improvements in macroeconomic indicators such as growth rate, inflation and the current account balance buoyed the favorable business atmosphere. However, the worsening of the domestic and international environments, coupled with the latent fragility of the Korean financial sector, resulted in a rapid slowdown in growth and a weakening of the economy after the last quarter of 2000.

Amid the ever-changing and challenging business environment, the Korea Development Bank (KDB) continues its intense efforts to revitalize and support the Korean economy and its growth potential. To secure a foundation for sound management, the Bank is enhancing its financial stability and improving asset quality. As evidence of such efforts, the KDB's non-performing loan amount dropped from W6.5 trillion at year-end 1999 to W2 trillion at year-end 2000.

Moreover, the Bank seeks to introduce advanced banking practices through the expansion of infrastructure, enhancement of risk management and internal control systems and introduction of a responsible management culture based on performance. Despite its overall good performance last year, the Bank suffered a net loss of W1.4 trillion mainly due to the fallout from the financial crisis and its expanded public policy role thereafter.

In 2000, the KDB supplied a total of W14.8 trillion in funds for loans and investments. The Bank concentrated its resources on facilitating corporate restructuring, funding corporate investments that contributed to improved

productivity, supporting promising SMEs including venture businesses and stimulating national infrastructure development. In the investment arena, it aggressively expanded its bond underwriting activities to alleviate the credit crunch in the corporate bond market, and increased its direct equity investment in SMEs and venture businesses.

In 2000, the KDB raised W18.5 trillion in domestic and overseas markets. Dramatic increases in deposits in the first half of 2000 further attested to the Bank's high credit rating, and strengthened marketing strategies aimed at high net worth customers and institutional investors. In the second half, the KDB also increased its quality deposits by concentrating on short-term deposits and thereby reducing procurement costs. Industrial financial debentures, which comprise the largest portion of internal financing, recorded W12 trillion in sales thanks to aggressive marketing that highlighted the Bank's market flexibility and underwriting sales.

On the international front, the Bank solidified its role as Korea's flagship borrower in the international capital markets. The KDB became the first Korean financial institution to release euro-denominated bonds when it released bonds worth 500 million euros. The Bank also assumed the role of prime borrower when it borrowed US\$300 million from the euro market at the lowest interest rates since the currency crisis. And the KDB's entry into the euro market became the benchmark for foreign borrowing among Korean financial institutions. Thanks to its outstanding performance, the Bank was named Best Asian Sovereign Borrower by *Euromoney* for the second consecutive year.

The Bank aims to stabilize the Korean capital market and to help promote corporate restructuring by reinforcing financial support for companies and bolstering the investment banking sector.

In 2000, the Bank's paid-in capital decreased by W860 billion to W4,112 billion due to losses incurred in the process of corporate and financial restructuring. The Bank and the Korean Government are closely discussing a capital increase in the form of cash or liquid securities. In addition, the KDB has continued to reshuffle its organization to cope with Korea's rapidly-changing financial environment since the financial crisis in 1997. In 2000, it carried out the second phase of restructuring with the aim of strengthening its independent business division system and establishing a firm basis for promptly and flexibly dealing with any potential challenges in the future.

The year 2001 will serve as a touchstone on whether the Korean economy can continue to progress despite a number of negative factors or fall into recession. Uncertainty in the domestic and international economies is expected to bring considerable challenges.

In addition to strengthening its industrial development finance role of stimulating economic growth, the KDB also seeks to emerge as a profitable commercial bank intent on maximizing its corporate value. Thus, it will continue to focus on corporate finance in supporting venture

businesses and SMEs. The KDB also plans to invigorate provincial economies in Korea through the expansion of funding support and its capital base by developing new fee-based services and products.

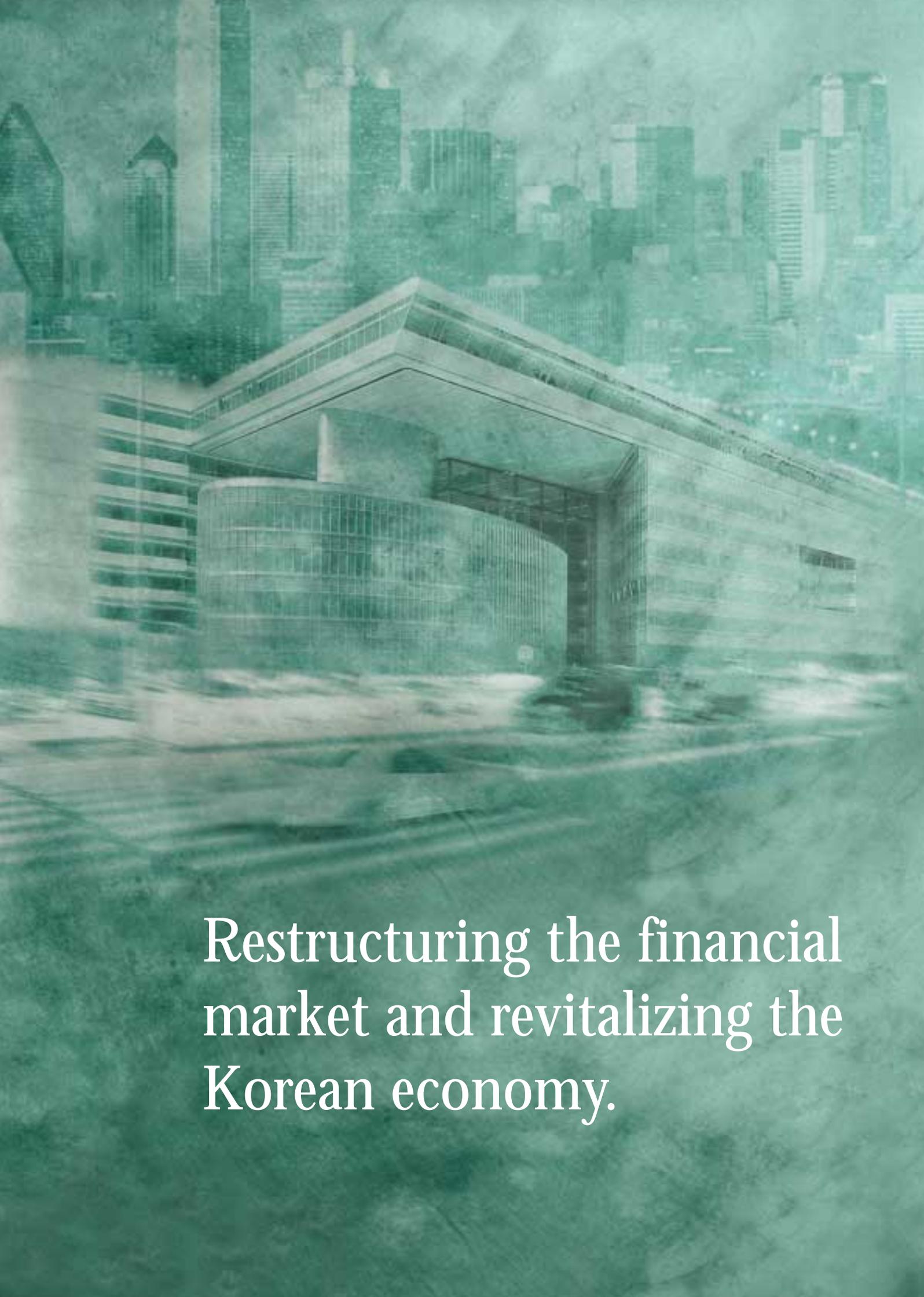
The Bank aims to stabilize the Korean capital market and to help promote corporate restructuring by reinforcing financial support for companies and bolstering the investment banking sector. By adopting universal banking standards and taking on international investment projects, the Bank can realize its goal of becoming a world-class investment bank and Korea's representative in the world financial market. Efforts to institute advanced credit standards and ensure stable profits will further solidify and develop the KDB's role in the economy. Continued management innovation and sound financial infrastructure will ensure adaptability to changes in the financial industry. Through these efforts, the Bank will reaffirm its status as an industrial development specialist and a corporate and financial restructuring leader.

Finally, we express our sincere gratitude to all of our esteemed clients and associates for their steadfast support and cooperation, which we trust will continue for years to come.

March 2001



Governor **Rak-Yong Uhm**



Restructuring the financial
market and revitalizing the
Korean economy.

Review of the Korean Economy

Economic Performance

In 2000, the Korean economy appeared to be going through an adjustment period after recovering rapidly from the foreign exchange crisis. The real GDP growth rate, which stood at 10.9 percent in 1999, slowed down to 8.8 percent.

Looking at the real GDP growth by quarter for the first three quarters of 2000, growth showed a gradual decline with a 12.6 percent, 9.7 percent, and 9.2 percent increase compared with the same quarter of the previous year. In the fourth quarter, the growth rate fell sharply to a rate of 4.6 percent, primarily due to unfavorable conditions such as the slowdown of the U.S. economy, which has a considerable impact on Korean exports, continued financial market instability resulting from the abrupt cancellation of Ford's bid to buy Daewoo Motor, and the outbreak of Hyundai Engineering & Construction's liquidity crisis.

Looking at last year's growth by component of expenditure, private consumption, which increased 11.0 percent in 1999, decreased to a rate of 7.1 percent. This slowdown was mainly due to a weakening in the real purchasing power in households caused by deterioration in the terms of trade.

Machinery & equipment investment recorded a robust growth rate of 34.3 percent in 2000. However, the rate fell significantly to 19.6 percent in the second half from 51.4 percent in the first half. This sharp fall was due to the effects of a slowdown in the domestic economy and a credit crunch in financial markets.

Construction investment decreased in 2000 for the third year in a row. Many construction firms were placed under court receivership or in "workout programs" as a consequence of restructuring of the construction industry. Indeed, the survival of the construction industry appeared at risk with the demise of Dong Ah Construction and HEC's default on notes due.

Exports and imports showed a strong upward trend, although import growth recorded a gradual decline from the second quarter. In 2000, exports increased by as much as 19.9 percent compared with the previous year on a customs clearance basis. Semiconductors, automobiles, and information technology industries led this robust export boom. In particular, despite the fall of DRAM prices to their lowest level, exports of semiconductors showed a positive trend since the volume of exports increased.

Imports increased 34.0 percent mainly due to the rise in crude oil and raw material prices. However, imports leveled off from the second quarter due to the slowdown in the domestic economy. The trade surplus in 2000 registered US\$ 11.8 billion.

The consumer price index (CPI) remained moderate at around 2.3 percent in 2000. Increases in cost factors, including oil prices and public service fees mainly accounted for the rise in consumer prices. However, a stable KRW/USD exchange rate and no significant pressure from the demand side moderated the inflation rate.

Meanwhile the producer price index marked a 2.0 percent increase from 1999 following the upturn in prices of raw materials including crude oil and intermediate goods.

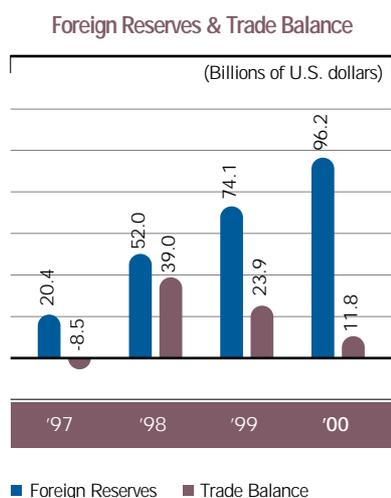
The unemployment rate posted 4.1 percent in 2000. This rate decreased by 2.2 percentage points compared with the previous year. The number of unemployed, which stood at 889,000 in 2000, decreased by 464,000 compared with 1999. However, as Daewoo Motor was declared bankrupt and other non-viable companies were liquidated, the effects of restructuring came into effect from the fourth quarter, resulting in a rise in the unemployment rate from the fourth quarter.

Korea's sovereign credit rating was upgraded in 1999 thanks to the economic recovery and the accumulation of foreign currency reserves. Fitch IBCA upgraded Korea's sovereign rating from BBB to BBB+ in March 2000 and it has remained unchanged until the present. S&Ps and Moody's rate Korea at BBB and Baa2 respectively, comparatively low ratings when considering the pre-crisis levels.

The government has been seeking to upgrade Korea's sovereign credit rating by implementing the second stage of corporate and financial restructuring. It has been imperative for the government to utilize the growing sense of crisis as an effective momentum to accelerate structural reform. Therefore, the government provided new impetus to financial reform efforts by disclosing a list of 52 non-viable companies recommended for court receivership or liquidation programs, and by consolidating the commercial banking system through the establishment of holding companies as well as facilitating mergers.

Financial Markets

At the beginning of the year 2000, the Daewoo liquidity problem and the ensuing massive redemption of Daewoo bonds contributed to insecurity in the financial markets. Moreover, the onset of the Hyundai Engineering & Construction liquidity crisis and the court receivership of Daewoo Motor in the course of implementing financial restructuring increased the uncertainty of the financial markets. As a result, financial institutions have been reluctant to extend credit not only because of increased uncertainties as to the financial viability of client firms, but also because they are trying to meet the required BIS standards.



In 2000, the yield on 3-year Treasury Bonds (TBs) showed a downward trend, falling to its lowest level of 6.7 percent at the end of the year from 9.04 percent in the beginning of the year. The yield on 3-year corporate bonds followed the same trend, falling to its lowest level of 8.1 percent at the end of the year from 10.3 percent in the beginning of the year. This trend was mainly due to a flight to quality by financial institutions. Due to the uncertainty of financial markets and despite the abundant liquidity at financial institutions, purchase of risk-free bonds such as TBs and Monetary Stabilization Bonds (MSBs) was intense. The wide spread in rates of corporate bonds between AA- and BBB- reflected this unstable market situation.

The KRW/USD rate remained steady until mid-November, ranging between W1,100 and W1,150, but rose rapidly to over W1,200 against the U.S. dollar during the last ten days of November. The depreciation can be accounted for by factors such as anxiety in the local and offshore stock markets, ongoing structural reforms in the financial and public sectors, slowing economic growth and the weakening of many Asian currencies against the U.S. dollar. The Won as of year-end 2000 stood at W1,264.5 against the U.S. dollar, depreciating 10.0 percent from W1,138.0 at year-end 1999.

The stock price index marked a decreasing trend during the year 2000, due to the instability brought on by the credit crunch in financial markets and unfavorable external factors such as falling semiconductor prices and high crude oil prices. As of year-end 2000, the KOSPI stood at 504.62 points, a drop of 52.4 percent compared to the high of 1,059.04 in January 2000.

Korea's foreign reserves increased to US\$96.2 billion at the end of 2000, an increase of US\$22.1 billion from year-end 1999. This can be attributed to the continuing trade surplus and the high foreign direct investment which reached US\$15.69 billion by the end of 2000.

KDB's Strategies in a Challenging Market Environment



Enhancing Risk Management

In 2000, through the Risk Management Committee established in June 1998, the KDB strengthened the function of the "Control Tower", which examines financial risk and develops management strategies. Each month the committee examines aspects of risk, asset and liability management, and profitability, while promoting risk management based on balance and restraint through the establishment of a management plan.

The Bank constantly promotes the effectiveness of risk management through the periodic examination, reporting and control of risk. The Bank has strengthened the systematic management and avoidance of risks that accompany business activities through the periodic monitoring of the chief risks that arise in the process of operations, such as credit, interest rate, liquidity and price risk, and by ensuring the risk does not exceed tolerance levels. Furthermore, the Bank has amplified its risk measurement methods through a post-factum analysis of the effectiveness rate of risk measurement models. Risk management systems have also been developed for the Bank's two subsidiaries (Hong Kong, Ireland) and the five overseas branches (New York, London, Tokyo, Singapore and Shanghai) as part of our comprehensive domestic and overseas risk management system.

KDB has created its own internal model for the most important form of risk - credit risk - and analyzes fluctuations in the volume of risk on a monthly basis. In order to prevent an excess of credit risk, the Bank fixes and manages net exposure limits for each company according to credit levels and size of the company. In the event that limits are exceeded, the authority to approve the loan is moved to a higher level to ensure a prudent credit decision.

To improve the industrial portfolio, in 2000 the Bank upgraded the credit risk management system. This included the establishment of credit management

guidelines under which industries are divided into 5 ranks: active expansion, moderate expansion, no change, moderate reduction, and active reduction. The Bank will continue to monitor and enhance risk management in all areas.

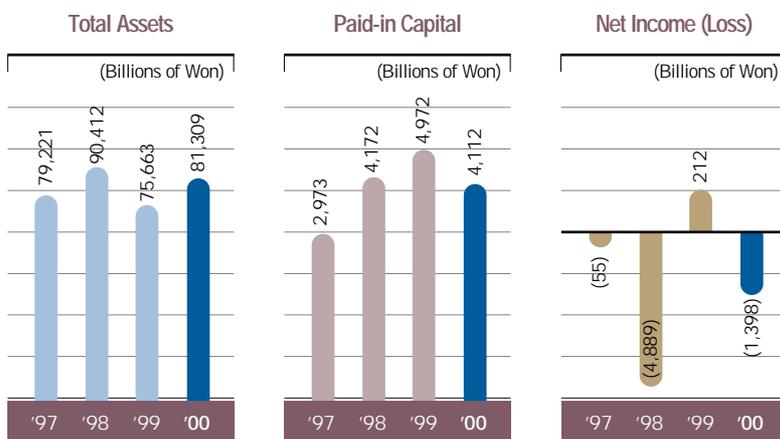
Reengineering Loan Business Processes

In order to enhance efficiency and transparency in credit management, new credit practices have been introduced throughout the credit operations, from loan consultation to credit decision-making and follow-up management based on the credit analysis and review system. The major changes are as follows:

A Corporate Banking Planning Department was newly established to support and encourage efficiency in the credit operation. CO (Credit Officer) and RM (Relationship Manager) systems are in operation to heighten professionalism and ensure rational credit decision-making through mutual cooperation and cross-checking. KDB also has a Credit Review Committee, Head Office Credit Review Committee and Credit Review Sub-Committee to ensure transparency in credit decision-making.

The Bank adopted a corporate credit evaluation system based on the Forward Looking Criteria (FLC) to be applied as a starting point for making all loan-related decisions. The early-warning team was expanded and rearranged into a follow-up management team and loan review team. The Bank operates a new follow-up management system that includes initiatives such as detailed corporate analysis by the loan review team to ensure rational decision-making.

Finally, the Bank has completed the credit analysis and review system in 11 areas, including a credit information access system to support effective decision-making on loan consultation, credit evaluation and follow-up management.



Reshaping Internal Organization

KDB has continued to reshuffle the organization as a way of positively coping with the rapid changes taking place in the country's financial environment since the foreign exchange crisis in 1997. In 2000, the Bank carried out the second phase of restructuring with the aim of strengthening the independent business division system and establishing a firm basis for dealing with any challenges that may arise in the future in a prompt and flexible way.

The duties of the Deputy Governor changed following reorganization in 2000. The Deputy Governor now assumes general responsibilities concerning management strategies, control of funds and risk management, in addition to ensuring that each division in the operation sector establishes yearly objectives and that the heads of these divisions signs an MOU concerning the objective.

The Bank has enhanced its ability to cope with changes in the financial environment actively and flexibly through the integration of funds supply and planning functions into the new Management Planning Division. To heighten independent credit risk management, the Bank transferred the position of Credit Officer, which previously belonged to the Corporate Banking Division, to the credit office under the Risk Management Division. The Bank has also given each Credit Risk Management Committee at the department and branch level the authority to make independent decisions in cases where a prompt decision is required without the involvement of a Credit Officer in a bid to speed up the loan-related process.

Elsewhere, the Bank inaugurated a second and additional Investment Banking Department as a way of strengthening internal operations through encouraging inter-department competition. The Small & Medium Corporate Banking Division was also divided into two departments for the same reason. A Classified Assets Management Division was newly established to gather operations associated with non-performing loans under one division. A Workout Management Department was established to manage operations concerning firms in the process of workout programs.

Nurturing Progressive Corporate Culture

Since KDB's introduction of a knowledge-based management system for the first time in the Korean financial industry, the Bank has been taking the lead in this area. In 2000, KDB took the initiative in organizational innovation by introducing the CreBiz Club. The CreBiz Club is a program where small groups of employees are encouraged to creatively focus on their usual business line. In the groups, employees share creative and diverse business knowledge and know-how. As a basic unit of the

knowledge management system, it is designed to strengthen organizational capacity and encourage employees to regard themselves as professionals. The program is expected to contribute to increasing the Bank's competitiveness in the future.

Paid-in Capital and BIS Capital Ratio

In 2000, paid-in capital decreased by W860 billion to a total of W4,112 billion due to losses attendant with corporate and financial restructuring. In order to cushion the impact of its sizable losses, the KDB needed fresh capital to supplement its existing reserves.

To allow adequate time for the government to smoothly implement the capital increase, the Bank planned a two-step approach. First, the KDB decreased its paid-in capital by W959.8 billion on December 29, 2000 as a preemptive action to absorb its losses in 2000. Second, the KDB has continued to hold close discussions with the government in order to receive the capital in the form of cash or liquid securities. Thanks to the government's full commitment to and support for the Bank, a cash injection of W50 billion is expected in the near future. In addition, a paid-in capital increase ranging from W1.4 trillion to W3 trillion is currently underway.

As of the end of 2000, the Bank's total capital based on consolidated statements in terms of BIS standards stood at W7.0 trillion, 27.3 percent less than the year before. Risk-weighted assets, on the other hand, increased 12.4 percent to W61.1 trillion. As a result, the BIS capital ratio decreased to 11.38 percent over the year.

BIS Capital Adequacy Ratio

(Billions of Won)

	2000	1999	1998
Capital	6,952	9,559	7,338
- Tier 1 Capital	4,592	6,187	4,156
- Tier 2 Capital	2,360	3,372	3,182
Risk-weighted Assets	61,075	54,332	64,826
BIS Ratio	11.38%	17.59%	11.32%



Offering diverse financial services to satisfy your needs and promote industry reform.

International Operations

In 2000, the KDB completed its return to all major global capital markets with its successful issue of euro-denominated bonds worth 500 million euros. Its entry into the Singapore dollar market as well as active participation in the syndicated loan markets diversified the Bank's investor base and set a precedent for other Korean financial institutions. The KDB continued to support domestic industry through the facilitation of major transactions in international loans and securities, further consolidating its role as a global investment bank. A vigorous worldwide Investor Relations campaign conducted in 2000 showcased the Bank's expertise in international finance and further strengthened its image abroad as a leading Korean financial institution.



Overseas Funding

During 2000, the Bank raised a total of US\$1,458 million from overseas, down 40.5 percent from the previous year. Despite the decreased amount, the KDB solidified its role as Korea's leading borrower in the international capital markets.

In March, the Bank successfully issued euro-denominated bonds worth 500 million euros with a coupon rate of 6.0 percent. This issue, following the Bank's successful re-entry into the global and Samurai bond markets in 1999, completed the re-entry of the Bank into all major international capital markets after the eruption of the financial crisis in 1997.

In June, the Bank tapped the burgeoning Singapore dollar market as the first quasi-sovereign issuer. Through the issuance of a S\$100 million bond deal, the Bank diversified its investor base and lowered its funding costs by utilizing the arbitrage opportunities of swap transactions. Furthermore, it issued JPY5.2 billion of medium term notes off the US\$5 billion Euro MTN Program to meet increasing customer demand for Japanese yen notes.

In addition to raising required funds through bond issuances in the international capital markets, the Bank was also active in the syndicated loan markets. In November, it re-entered the international syndicated markets after a nine-year absence, taking advantage of the abundant liquidity in the Asian syndicated loan markets. Through the syndicated debt facility, the Bank borrowed US\$300 million at the lowest cost since the financial crisis and established a new benchmark for other Korean borrowers.

The Bank also borrowed US\$509 million in public loans from the International Bank for Reconstruction and Development, the Asian Development Bank and the Japanese Bank for International Cooperation to support restructuring of the Korean economy. Furthermore, it borrowed US\$64 million from Kreditanstalt für Wiederaufbau (KfW) of Germany and various other commercial banks to support SMEs and the export and import activities of local companies.

In recognition of the Bank's optimal combination of various funding activities, *Euromoney* magazine selected the KDB as the Best Asian Sovereign Borrower for the second consecutive year.

International Investment Banking

Despite the gradual recovery of the Korean economy, large Korean companies - the KDB's main clients - reduced their demands for offshore and foreign investment funds. This was due to restructuring during the year amid a worsened investment environment in the aftermath of the financial crisis.

Against this backdrop, the KDB concentrated primarily on providing financial services to Korean companies, with the Bank's core operations continuing to center on the

syndication of loans and securities for companies.

The Bank has five branches and two subsidiaries abroad engaged in a variety of international capital market operations, such as managing and underwriting international securities issues and syndicated loans. It has also helped Korean companies to smoothly enter and operate in foreign countries.

The KDB has played a significant role in arranging major deals for Korean borrowers. During the year, it arranged 26 transactions in international syndicated loans and securities worth US\$2,348 million for Korean clients.

The Bank extended offshore loans in foreign currencies for the purchase of industrial equipment and the implementation of industrial projects abroad by overseas subsidiaries and branches of Korean companies. Its overseas network provided foreign currency-denominated loans for clients such as Korean companies and their overseas subsidiaries, financial institutions and foreign companies.

Last year, the KDB provided its clients with US\$2,261 million in credit support - US\$931 million in bilateral loans and US\$1,330 million in guarantee services - up 34.8 percent from the prior year. The transactions included credit support to Hanvit Bank and other short-term operational funds extended to Korean companies.

International Treasury

As a premier provider of value-added risk management solutions, the KDB is the long established market maker in local and international foreign exchange markets, offering global execution, quoting competitive prices in all tradeable currencies as well as the Korean Won, and acting as a primary provider of liquidity. Our range of foreign exchange products includes Spot, Forward, Swap and KRW Non-Deliverable Forwards and Swaps.

During 2000, the Bank traded US\$102 billion in the international money market. The overall trade volume decreased compared to 1999 as the demand for foreign



currency decreased due to the radical nationwide restructuring in the financial and industrial sectors. However, the Bank managed to expand its money market line to US\$1 billion from US\$500 million. As a result, the Bank could enhance its foreign currency liquidity.

In bond trading, as an established market leader, KDB employs sophisticated trading strategies in dealing in a variety of bonds. During 2000, the Bank traded US\$4.2 billion in bonds. In addition to being a market leader, the Bank played the role of a market maker in Korean papers and an influential investment institution in Asian papers by posting the prices of its bond holdings on Reuters and Bloomberg.

In the international custody business launched in 1997, the Bank significantly strengthened its capabilities in and commitment to the custody service, not only to help foreign customers invest in Korea but also to support the nationwide efforts to overcome the financial crisis. These activities, along with its creditworthiness, enabled the Bank to offer the best custody service for successful investment in the Korean market.

In the derivatives business, the financial engineering team has been striving to cover a wider range of products and business areas including new product design, consulting for structured financial products, ABS, ABCP, ELN, support for the business expansion of other KDB departments, leasing, project financing and portfolio investments. The Bank also has the largest outstanding balance of US\$60 billion in derivatives transactions in Korea.

Trade Finance

The year 2000 marked another year of excellent performance for the Bank's trade finance business, continuing to grow over 30 percent in the volume of export and import finance.

A combination of strong marketing strategy and service tailor-made to customer needs has yielded a 39 percent increase, totaling US\$6.1 billion, in the amount of negotiated export bills, and a 31 percent increase in the volume of import credit which totaled US\$11 billion.

Offering outstanding service to the Bank's customers, the KDB aims to continuously expand its market position in various fields including export-related financing, capital goods import finance, agricultural product import finance and domestic bankers acceptance.

Bank Relations

Investor Relations

In 1999, the KDB established an investor and bank relations team to actively engage bond investors around the world, recognizing the importance of providing its overseas bond investors with timely and credible information.

To support the KDB's first euro-denominated bond issue worth 500 million euros, the team held a one-week roadshow in March 2000 in major European cities such as London and Frankfurt. On September 25, 2000, the Bank hosted a luncheon in Prague on the sidelines of the annual IMF/IBRD meeting.

The KDB's efforts to enhance management transparency through fast and timely information duly received recognition from international credit rating agencies. In 1999's first quarter, the Bank saw its credit rating restored to investment grade by Moody's, S&Ps and Fitch. Moody's and S&Ps raised the rating further in the last quarter of 1999 to "Baa2/BBB" and Fitch to "BBB+" in the first quarter of 2000.

Guest Observer Course

The annual Guest Observer Course (GOC) is an introduction to the KDB and the Korean economy for participants from leading financial institutions around the world. Created in response to Korea's increasing role in the global economy, the GOC has had over 1,000 financiers take part since its inception in 1968.

The course is designed to broaden international understanding of Korea's economy, industries, financial sector and culture through presentations and discussions. Field trips to various manufacturing plants and historic sites also allow participants to experience Korea, Inc. first-hand.

At the 53rd GOC in October 2000, 23 representatives from leading financial institutions enjoyed this unique opportunity to learn about the KDB and the resurgence of the Korean economy. Highlights of the 2000 GOC included lectures such as "Reform and Prospects for the Korean Economy" and "The KDB's Role and Vision" as well as visits to industrial sites such as POSCO and Hyundai Motor.

Correspondent Banking

Customers' financial needs are becoming increasingly diverse and sophisticated, seeking wide-ranging business opportunities internationally. KDB is well prepared for these globalized needs. With our strong presence in the Korean economy, we have established correspondent banking relations with more than 1,000 financial institutions worldwide over the past several years.

Utilizing our strong international network, we will continue to strengthen our global operations and continue to assist customers in reducing business risks and providing the most up-to-date information with professional advice.

Domestic Operations

The Bank's domestic operations center on providing financing services to promising SMEs, start-ups, and large corporations with long-term facilities financing, and on funding public projects to expand the nation's infrastructure. In 2000, an increase in business capital investment riding on the economic recovery saw KDB record a 10.4 percent increase in loans and investments over the previous year to total W14.8 trillion. The Bank also remained a leader in the financial bonds market in 2000 in terms of issuance and distribution, accounting for 64.0 percent of bonds issued. A W1 trillion increase in the Bank's deposits to W8.9 trillion was a result of the Bank's high credit ratings and strengthened marketing activities. The year proved a particularly brisk one in the area of project financing as projects delayed due to the economic crisis went into operation.



Loans

In 2000, equipment capital loans increased 22.4 percent to W5,961 billion. Excluding borrowings from the government, special purpose funds and loans from IBRD and ADB, capital loans reached W4,921 billion. In the midst of a recovery in company capital investment in 2000, loans for equipment capital dramatically increased as a result of aggressive sales activities and the operation of special purpose funds for seeking out new clients.

Equipment capital loans to SMEs in 2000 showed a considerable increase as a result of these initiatives. Working capital loans in 2000 remained at the same level as in 1999, amounting to W4,037 billion.

While loans to manufacturing industry in 2000 recorded a 25.4 percent increase to W5,909 billion, loans to the non-manufacturing sector decreased by 2.5 percent

to W4,089 billion. As a result, the proportion of manufacturing industry in the loan portfolio increased from 52.9 percent in 1999 to 59.1 percent in 2000.

Within manufacturing industries, the machinery sector including fabricated metal products, machinery & equipment took up the largest portion of 27.7 percent, amounting to W1,636 billion. The petrochemical sector, including refined petroleum products, chemicals, rubber & plastic products followed with 26.4 percent, amounting to W1,558 billion.

As for the non-manufacturing industries, the transport, storage & communications sector received 16.9 percent of total loans at a value of W1,694 billion while the electricity, gas & water industries received 10.0 percent of total loans at a value of W996 billion.

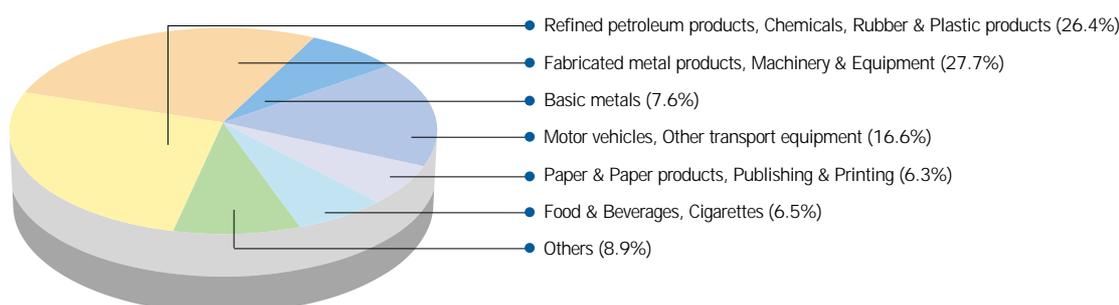
New Loans and Investments by Industry

(Billions of Won)

	Loans			Investments	Total
	Equipment Capital	Working Capital	Sub-Total		
Agriculture, Forestry & Fishing	0.5	-	0.5	-	0.5
Mining	17.1	82.5	99.6	-	99.6
Manufacturing	2,565.9	3,342.9	5,908.8	1,766.7	7,675.5
Electricity, Gas & Water	991.2	4.7	995.9	-	995.9
Construction	5.6	20.1	25.7	172.0	197.7
Wholesale & Retail Trade, Restaurants & Hotels	150.0	222.7	372.7	69.4	442.1
Transport, Storage & Communication	1,371.0	322.8	1,693.8	207.0	1,900.8
Finance, Insurance & Services	619.6	15.2	634.8	2,544.9	3,179.7
Other services	239.7	26.2	265.9	39.3	305.2
Total	5,960.6	4,037.1	9,997.7	4,799.3	14,797.0

Notes: 1) Borrowings from government, special purpose funds, loans from IBRD and ADB included.
2) Securities trading excluded.

New Loans in the Manufacturing Sector



Investments

Project Finance

Since 1994, when the Korean government enacted the law inducing private participation in infrastructure projects, KDB has maintained a dominant position in the domestic infrastructure project financing market. One of the main activities of the Bank is to act as financial advisor. Starting from the initial stages of project development, the Bank assists in the structuring of projects to minimize project-specific risks. KDB also plays an important role in arranging financing for projects and has the most prominent placing power in the domestic financial market. For the past six years, KDB has had an advisory role on 55 projects and successfully completed the financing of 14 projects totaling W4.3 trillion.

The year 2000 was one of the Bank's most vigorous years for project financing as several postponed projects were rushed onto the market, having previously been delayed due to the economic crisis. KDB arranged the financing for five projects totaling W1.8 trillion, starting with the Anyang/Buchon Cogeneration Power Project. This project involved W529 billion of financing and was the first financing of a non-greenfield power project. As a result of the Bank's continuing efforts to diversify avenues for funding, the financing for the Daegu-Busan expressway project with a total of W1.1 trillion was successfully secured. The financial package included a W500 billion long-term infrastructure project bond issue, a US\$100 million offshore tranche and a local syndicated loan facility for the remainder. To secure against exchange rate risk stemming from the offshore loan, KDB also provided the borrower with a long-term KRW/USD swap facility.

Equity Investment

A majority of the Bank's domestic equity investment was made through direct investment or through loans converted to equity in the process of corporate restructuring. Of particular note in 2000 was the dramatic increase in investment in venture companies and SMEs. In 2000, W923.5 billion of loans were converted to equity for workout companies in the process of restructuring. In terms of general equity investment, W127 billion was invested in venture companies and SMEs, while other equity investments to the value of W249.3 billion were made, including W177.3 billion in Daewoo Securities.

Since 1998, KDB has been supporting the government's policy to seek out and nurture promising venture companies and SMEs through a venture and SME investment fund. In 2000, equity investment in venture companies and SMEs recorded a dramatic increase, more than doubling the W58.6 billion recorded in 1999.

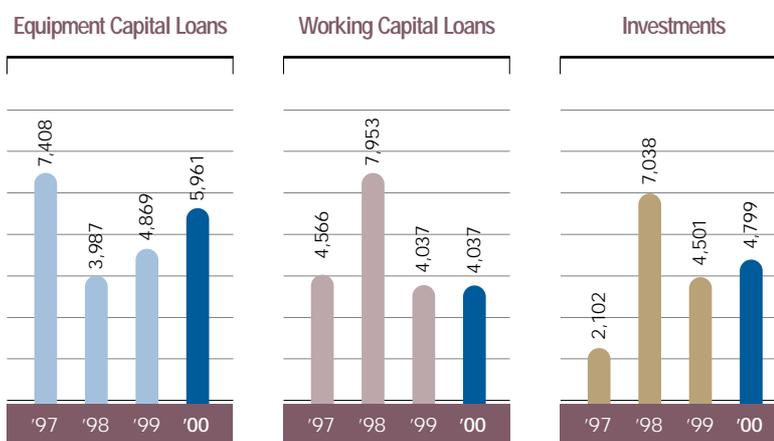
Capital Market Activities

In response to favorable market developments in 2000, including asset securitization, corporate restructuring and privately-funded projects, the Bank offered lead management services for asset-backed securitization, SOC bond issuance and convertible bond issuance. The new services were aggressively marketed through business ties with leading securities firms and improved relationships with institutional investors.

The total bonds underwritten by KDB amounted to W6.5 trillion. The Bank's aggressive marketing strategy was instrumental in helping it overcome unfavorable market conditions stemming from the Daewoo crisis and unstable interest rates. The Bank managed to reduce associated risks by selling off most of its bond portfolio.

New Loans and Investments

(Billions of Won)



Considering its brief history in the area of arranging corporate bond issues, this record testifies to the Bank's ability to satisfy corporate financing needs. Furthermore, KDB underwrote Korean Treasury Bonds of W477 billion in 2000 in a bid to position itself as a big player, as the government bond market is becoming more active with its increasing importance. KDB earned a primary dealership to form the first-ever group of privileged dealers and as a consequence can conduct the government bond treasury business from a more advantageous position. KDB intends to strategically maximize the synergy effects of integrating the know-how it has accumulated in the government, corporate and KDB bond businesses.

Mergers & Acquisitions

Utilizing its advantages in industry research and its credit review capabilities, its global network and a vast array of Korean business contacts, KDB provides comprehensive M&A and financial consulting services ranging from extensive analysis of profitability of projects and compatibility with clients' strategy to tax and legal considerations.

In 2000, KDB demonstrated its expertise by successfully completing a consultation for the disposal of Illeun Securities Co., Ltd. by the Korea Deposit Insurance Corporation. KDB has maintained strong business alliances with leading foreign M&A advisory firms including RECOF in Japan, by completing several cross-border M&A transactions with those partners.

Mutual Fund Investment

In 1998, in step with the government's emergency rescue efforts to deal with the financial crisis, the Bank participated in establishing four corporate restructuring funds totaling W1.6 trillion in consortium with 22 financial institutions. These funds were designed to tide over promising businesses caught in a temporary liquidity bind.

As of the end of 2000, a total of W1.9 trillion was invested in 124 businesses suffering from cash flow problems. Of the 124 recipients of operation capital, SMEs numbered 92 and received W1,018 billion, or 53 percent of the total investments. Moreover, the Bank supported the government policy of fostering the then fledgling KOSDAQ market and channeled W686 billion, or 36.1 percent of the total figure, into KOSDAQ-listed firms, thereby contributing a great deal to the growth of the OTC market.

Fund Raising

Industrial Finance Bonds

In 2000, the nation's bond market saw a stabilization of long-term interest rates. The market enjoyed a stable fund supply throughout the year and saw a rapid growth in the magnitude of transactions centered on short-term dealings. However, the bond market's role of supplying funds to businesses decreased due to a consistent market preference for low risk bonds.

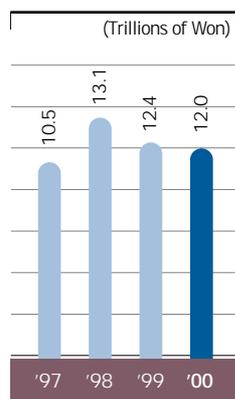


The Industrial Finance Bonds also remained at the top in the financial bonds market in 2000, in terms of the amounts of issuance and distribution.

KDB sought to maintain sales of its Industrial Finance Bonds in the wholesale market, marketing on its credit ratings, the highest in Korea, and adopting flexible sales tactics. The Bank also made efforts to expand its individual customer base by means of consignment-based sales through domestic securities companies.

The Industrial Finance Bonds also remained at the top in the financial bonds market in 2000, in terms of the amounts of issuance and distribution, accounting for 64.0 percent of the total financial bonds issued, although the amount of issuance fell to W12 trillion, a 3.4 percent year-on-year decrease. The share of long-term funds with a maturity of three years or longer was 45.1 percent of the total, revealing customer preference for stable long-term funds.

Won-denominated IFB Issues



Borrowings

In 2000, KDB borrowed W162 billion from the government to support public projects such as the construction of a filtration plant and development of a distribution complex, and W401.8 billion from diverse funding institutions to support SMEs, tourism business, information technology and energy saving projects.

Deposits

In 2000, the difference in credit ratings between banks in Korea became more conspicuous as a result of ongoing financial restructuring. Amidst such a market environment, funds tended to show a preference for safety, rushing to the well-performing banks. The bearish stock market, the planned implementation of the global financial income tax system, and the planned changes in the system for protection of depositors also contributed to the concentration of funds at well-performing banks.

KDB posted a high growth in deposits in the first half of the year, assisted by the highest credit ratings in the nation and improved marketing tactics centered on VIP customers and institutional investors. On the basis of these results, rather than seeking a further increase in deposit quantity, in the second half of the year the Bank focused on strengthening the foundations of a qualitative deposit structure. To that end, the Bank sought to reduce funding costs by concentrating on attracting short-term deposits. At the end of 2000, KDB's total balance for deposits came to W8,905 billion (W8,590 billion in Korean Won and W315 billion in foreign currencies), which was a W1 trillion increase over the previous year.



Trust Business

In the new millennium, KDB launched into its trust business with even greater energy, introducing a strengthened independent accounting system and compliance procedures. The fund management team was re-organized to meet the various needs of clients. For a more prudent fiduciary duty, the risk management and compliance system was considerably strengthened.

The Bank has a flexible negotiation system that attracts large-scale trust funds by providing reasonable rates and hybrid products that adapt to the changing capital market.

The trust business has contributed to widening the Bank's customer base by offering high-yield products and customer-oriented services. Major products include the Open Type Money Trust, Specified Money Trust and Asset Backed Security Trust.

In line with the Bank's specialization in the field of corporate finance, the Specified Money Trust has been created to support the stock price of corporations in a bearish stock market. The Retirement Pension Fund Trust is sold to support the right of employees to retirement pensions. The Bank provides a custody service to investment companies, with the custody assets amounting to W1,075 billion.

The Bank developed an Asset Backed Security Trust, the first of its kind in Korea, which capitalizes on the future cash flow of the corporation account receivable assets. Furthermore, the target for investment assets has been extended to include Property Assets.

As of December 31, 2000, total trust asset volume at KDB reached W2,320 billion, an increase of 2.6 percent over the previous year, despite the sluggish state of the trust business in Korea. KDB manages funds according to strict portfolio strategies that satisfy the objectives and constraints of the customers. The portfolio is composed of stocks, bonds, loans, futures, options, and hybrid products. The Bank increased investments in bonds to a total of W1,754 billion, in stocks to W344 billion, and loans to W137 billion.

To cope with the rapidly changing market situation, the Bank will introduce advanced financial technology and expand the scope of its investment funds as part of efforts to develop fee business in its role as an investment bank.



Research and Information Activities

Economic and Industrial Research

KDB has commenced research into diverse areas such as industry, the economy, finance, North Korea and China, financial law, and facility investment both to assist in the efficient provision of industrial funds and to provide information to the government for making accurate industry and economy-related decisions. The Bank has commenced industrial ratings to assist credit analysis for industrial financing. It also reports on trends in Korean industry through various research reports, and offers industrial analysis. The Bank also offers basic information for operational plans through the release of reports about changes in the economic environment in *KDB Monthly Bulletin*, which includes analysis of core economic indices and trends regarding industrial activity, trade and financial markets.

In addition, support to the Bank's investment operations has been strengthened through field research. The issue of *Monthly Capital Market Review* considerably improved the quality of bond and stock market research and enhanced the status of the Bank in the bond and stock markets. KDB also regularly produces reports dealing with the prospects for the domestic economy, interest rates and currency forecasts, domestic economic and industrial



trends and analysis for assisting operational activities. The Bank released reports including *Analysis of Financial Data*, which dealt with industry analysis and the business management situation at corporations, in addition to *Survey of Facility Investment* and *Business Survey Index*. An English edition of *Industry in Korea 2000* was published, which analyzes the current status and forecasts for the country's core industries in the wake of the currency crisis, and also deals with growth areas such as biotech, IT and new materials. Active research regarding North Korea is also being undertaken in preparation for possible reunification in the future, and China has also become a subject of research due to its status as a key country for trade and investment.

The results of research are published in the *KDB Monthly Bulletin*, *Capital Market Review*, *KDB Economic & Industrial Focus*, and are also supplied to KDB branches through the intranet. Reports are also available at the Bank's Home-page on the internet.

Industrial Technology Studies

In this high-technology era, judging the technical viability of business plans for investment banking has become crucial. Therefore, in 1999 the Bank established the Industrial Technology Division to lead technology investigation at the Bank and to strengthen business support systems. The Department was reorganized into separate specialized divisions including the Technology Management, Technical Information, Technical Services and Technology Rating divisions in order to promote systematic management.

In 2000, the Industrial Technology Division carried out 200 technology investigations of high-tech and large-scale plants, venture businesses, and SMEs that had relatively high risk. The Division has already shown the potential for becoming a specialized technology rating agency through its development of new ratings standards that allow for the objective rating of a company's technical capability. The Division also actively participated in the rating of SMEs undertaken by the Korean government's SME Administration.

The Division produces *Monthly Technology Industry Report* in order to keep employees up to date on technology-related information for major industries that are at the vanguard of the technology revolution. As industry management systems shift to technology-focused systems in the 21st Century, the importance of technology risk management has undergone a corresponding increase. As a result, the Bank's industrial technology support will be expanded to ensure in-depth information for credit judgement of high-risk industries, and the swift supply of analytical information for new growth industries as well as conventional industries.



Information System

In recent years, KDB has made considerable efforts to improve Information Technology infrastructure at the Bank in an attempt to bolster its competitiveness. These improvements are part of our strategy to cope with the rapidly changing financial environment, as evidenced by mega-mergers between banks and the emergence of financial holding companies amidst a background of increasingly fierce competition among financial institutions. As part of such efforts, the Bank successfully established its Core Banking System in an open Unix environment, the development of which was initiated in June 1999.

With the Core Banking System in full-scale operation, KDB can improve customer service, enhance user convenience, and provide prompt and accurate managerial information. The system will also enable the Bank to operate round-the-clock, all year round. It will enable the timely development of new products, automate office work, as well as make the Bank's daily settlement of accounts considerably easier and more efficient.

In addition, to be sufficiently prepared against accident, disaster or disturbance to business, KDB established an SMS (System Management System) and NMS (Network Management System). Not only has the internal control system of the Bank been overhauled, but its BRS (Business Recovery System) has also almost reached the completion stage. With the scheduled completion in early 2001 of the EDW (Enterprise Data Warehouse), the Customer Information Management System, the Integrated Report System, the Management System for branches both in Korea and overseas, as well as a global network, the shift to knowledge-based management and superior customer service will be complete.

Non-consolidated Balance Sheets

(Banking Accounts)

DECEMBER 31, 2000 AND 1999	2000		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				
Cash and due from banks (Note 4)	W 5,181,705	\$ 4,113,443	W 6,827,472	\$ 5,419,919
Trading securities (Note 5)	1,740,818	1,381,931	4,987,664	3,959,406
Investment securities (Note 5)	17,588,246	13,962,250	17,649,588	14,010,945
Loans (Note 6)				
less provision for possible loan losses of W2,163,037 million in 2000 and W3,201,167 million in 1999, and present value discount of W426,678 million in 2000 and W486,968 million in 1999	50,029,317	39,715,263	43,293,370	34,368,000
Premises and equipment, net (Note 7)	739,955	587,405	678,290	538,454
Derivative financial instruments (Note 15)	1,991,932	1,581,276	-	-
Other assets (Note 8)	4,037,087	3,204,800	2,227,110	1,767,969
Total assets	W 81,309,060	\$ 64,546,368	W 75,663,494	\$ 60,064,693
LIABILITIES AND EQUITY				
Deposits (Note 9)	W 8,521,967	\$ 6,765,077	W 6,895,684	\$ 5,474,068
Borrowings (Note 10)	23,564,031	18,706,066	20,641,346	16,385,922
Industrial finance bonds issued (Note 11)				
add premium on bonds of W594 million in 2000 and W1,786 million in 1999 and less discount on bonds of W126,750 million in 2000 and W171,783 million in 1999	38,360,614	30,452,182	37,944,831	30,122,117
Provision for possible guarantees losses (Note 13)	367,495	291,732	529,718	420,511
Accrued severance benefits	4,588	3,642	109,433	86,872
Derivative financial instruments (Note 15)	2,034,196	1,614,826	-	-
Other liabilities (Note 12)	4,658,003	3,697,707	3,303,250	2,622,252
Total liabilities	77,510,894	61,531,232	69,424,262	55,111,742
Commitments and Contingencies (Note 14)				
Equity:				
Paid-in capital (Notes 1 and 16)	4,111,861	3,264,159	4,971,661	3,946,702
Capital surplus (Note 16)	44,373	35,225	34,754	27,589
Retained earnings (Note 16)	-	-	456,997	362,783
Capital adjustment (Note 16)	(358,068)	(284,248)	775,820	615,877
Total equity	3,798,166	3,015,136	6,239,232	4,952,951
Total liabilities and equity	W 81,309,060	\$ 64,546,368	W 75,663,494	\$ 60,064,693

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

Non-consolidated Income Statements

(Banking 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)
Interest income:				
Interest on loans	W 4,261,467	\$ 3,382,922	W 4,053,484	\$ 3,217,817
Interest on due from banks	408,549	324,322	402,553	319,563
Interest on trading securities	129,183	102,551	106,885	84,850
Interest on investment securities	637,652	506,194	491,038	389,806
Other interest income	21,120	16,766	16,560	13,146
	5,457,971	4,332,755	5,070,520	4,025,182
Interest expense:				
Interest on deposits	588,595	467,250	488,620	387,886
Interest on borrowings	1,409,187	1,118,669	1,438,394	1,141,854
Interest on bond payable	3,268,224	2,594,446	3,161,228	2,509,509
Other interest expenses	90,745	72,037	101,748	80,772
	5,356,751	4,252,402	5,189,990	4,120,021
Net interest income (loss)	101,220	80,353	(119,470)	(94,839)
Provision for possible loan losses (Note 6)	-	-	731,703	580,855
Net interest loss after provisioning for possible loan losses	101,221	80,353	(851,173)	(675,694)
Non-interest revenue:				
Fees and commissions	195,440	155,148	180,465	143,260
Gain from trading securities	170,249	135,151	668,839	530,951
Gain from derivative financial instruments (Note 15)	2,500,879	1,985,297	733,075	581,944
Others (Note 17)	1,545,003	1,226,484	920,429	730,673
	4,411,571	3,502,080	2,502,808	1,986,828
Non-interest expense:				
Fees and commissions	32,708	25,965	36,528	28,997
Loss from trading securities	409,590	325,149	136,419	108,295
Loss from derivative financial instruments (Note 15)	2,866,007	2,275,150	524,856	416,652
General and administrative expense (Note 18)	229,998	182,582	183,999	146,066
Others (Note 17)	621,608	493,457	1,414,999	1,123,282
	4,159,911	3,302,303	2,296,801	1,823,292
Operating income (loss)	352,880	280,130	(645,166)	(512,158)
Non-operating income (expense), net (Note 19)	(2,015,180)	(1,599,730)	924,072	733,565
Extraordinary income, net	264,496	209,968	21,186	16,818
Income (loss) before income taxes	(1,397,804)	(1,109,632)	300,092	238,225
Income taxes (Note 20)	627	498	88,374	70,155
Net income (loss)	W (1,398,431)	\$ (1,110,130)	W 211,718	\$ 168,070

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

Non-consolidated Statements of Disposition of Deficit

(Banking Accounts)

	2000		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)		
DATE OF DISPOSITION: FEBRUARY 28, 2001						
DATE OF APPROPRIATIONS: FEBRUARY 29, 2000						
Retained earnings before appropriations						
(Accumulated deficit before disposition):						
Retained earnings carried over from prior year	W	- \$	-	W	- \$	-
Cumulative effects of accounting changes (Note 16)		(8,746)	(6,943)		245,279	194,712
Net income (loss) for the year		(1,398,431)	(1,110,130)		211,718	168,070
		(1,407,177)	(1,117,073)		456,997	362,782
Disposition of accumulated deficit						
(Appropriations of retained earnings)						
Transfer(provision) from(to) legal reserve		456,996	362,782		(456,997)	362,782
Transfer from capital surplus		950,181	754,291		-	-
		1,407,177	1,117,073		(456,997)	362,782
Undisposed accumulated deficit to be carried forward to subsequent year						
	W	- \$	-	W	- \$	-

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

Non-consolidated Statements of Cash Flows

(Banking Accounts)

	2000		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)
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income(loss)	W (1,398,431)	\$ (1,110,130)	W 211,718	\$ 168,070
Adjustments to reconcile net income(loss) to net cash provided by operating activities:				
Loss (Gain) on disposal of loans, net	1,823,224	1,447,348	(172,925)	(137,275)
Loss (Gain) on trading securities, net	249,290	197,896	(519,811)	(412,647)
Loss (Gain) on investment securities, net	186,397	147,969	(749,517)	(594,996)
Bad debt expenses	–	–	731,703	580,855
Depreciation	21,067	16,724	14,768	11,723
Retirement allowance	27,244	21,627	24,025	19,072
Loss (gain) on foreign currency translation, net	(471,720)	(374,470)	45,641	36,232
Loss (gain) from derivative financial instruments, net	349,869	277,740	–	–
Decrease (increase) in accrued income	(114,958)	(91,258)	77,641	61,635
Decrease (increase) in derivative financial instruments	(298,258)	(236,769)	–	–
Payment of severance benefits	(24,654)	(19,571)	(34,554)	(27,430)
Others, net	(1,161,132)	(921,753)	1,047,057	831,195
Net cash provided by (used in) operating activities	(812,062)	(644,647)	675,746	536,434
CASH FLOWS FROM INVESTING ACTIVITIES				
Net decrease in trading securities	2,982,568	2,367,681	3,380,604	2,683,658
Net decrease in loans	(7,766,110)	(6,165,047)	2,185,686	1,735,084
Net increase in investment securities	(324,819)	(257,854)	(1,345,567)	(1,068,165)
Net increase in premises and equipment	(80,485)	(63,892)	(45,866)	(36,410)
Others, net	2,396,144	1,902,154	(219,818)	(174,500)
Net cash provided by (used in) investing activities	(2,792,702)	(2,216,958)	3,955,039	3,139,667
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase (decrease) in deposits	1,581,794	1,255,691	(1,713,376)	(1,360,146)
Net increase (decrease) in borrowings	2,189,646	1,738,228	(2,418,860)	(1,920,187)
Net increase (decrease) in bonds issued	(261,860)	(207,875)	(1,300,941)	(1,032,739)
Increase in paid-in capital	100,000	79,384	800,000	635,072
Others, net	26	21	14	11
Net cash provided by (used in) financing activities	3,609,606	2,865,449	(4,633,163)	(3,677,989)
Net increase (decrease) in cash	4,842	3,844	(2,378)	(1,888)
Cash, beginning of the year	79,553	63,152	81,931	65,040
Cash, end of the year (Note 4)	W 84,395	\$ 66,996	W 79,553	\$ 63,152
<i>The accompanying notes are an integral part of these non-consolidated financial statements.</i>				

Notes to Non-consolidated Financial Statements

(Banking Accounts)

DECEMBER 31, 2000 AND 1999

note 1 . The Bank:

The Korea Development Bank (the "Bank") was established in 1954 in accordance with the Korea Development Bank Act for the purpose of supplying and managing major industrial capital to develop Korean industry. The Bank operates through 35 local branches, 5 overseas branches and 2 overseas subsidiaries as of December 31, 2000. The Bank is engaged in the banking business under the Korea Development Bank Act and in the trust business according to the Trust Business Act and other related regulations.

The Korea Development Bank Act prescribes that the Korean Government owns the entire capital of the Bank.

note 2 . Summary of Significant Accounting Policies:

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

Basis of Financial Statement Presentation -

The official accounting records of the Bank are expressed and maintained in Korean Won in accordance with generally accepted accounting principles in the Republic of Korea.

The Bank operates both a commercial banking business and a trust business in which the Bank, as a fiduciary, holds and manages the property of others. Under the Trust Business Act, the trust funds 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 non-consolidated financial statements have been condensed, restructured and translated into English from the Bank's 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.

Recognition of Interest Income -

The Bank recognizes interest income on loans and debt securities on an accrual basis. However, interest income on delinquent and dishonored loans, other than those subject to security deposits and guaranteed by financial institutions, is recognized on a cash basis. Such unaccrued interest income as of December 31, 2000 and 1999 was W153,018 million and W166,573 million, respectively.

Provision for Possible Loan Losses -

The Bank provides for possible loan losses based on borrowers' future debt servicing ability (forward looking criteria) as determined by a credit rating model developed by the Bank. This credit rating model includes the financial and non-financial factors of borrowers and classifies borrowers' credit risk. Provisions are determined by applying the following minimum percentages to the various credit risk ratings:

Loan classifications	Provision percentages
Normal	0.5%
Special attention	2% or more
Substandard	20% or more
Doubtful	50% or more
Loss	100%

Securities -

Marketable securities held for obtaining short-term transaction gains are included in trading securities. Those securities not included in trading securities are classified as investment securities. Securities which have a fair value different from their acquisition cost are carried in accordance with the following guidelines:

- Trading securities

The initial cost of trading securities is determined by the moving average method. Trading securities are subsequently carried at their market values. Unrealized gains and losses on trading securities are charged to current operations.

- Investment securities

Marketable securities held for investment purposes are carried at their market values. Unrealized gains and losses on marketable investment securities are reported as a capital adjustment in shareholders' equity.

Investment securities which allow the Bank significant influence over the investee are valued using the equity method of accounting. The Bank considers that it has significant influence on the investees, in which the Bank holds more than 15% of interest. However, the Bank does not apply equity method for the following investments.

- ; /Investees which are owned by Korean Government and Government invested companies
- ; /Total assets of investees are less than 7,000 million won
- ; /Investees under court receivership or bankruptcy
- ; /Investees under process to be sold-out

Under the equity method, the Bank records changes in its proportionate ownership of the book value of the investee as current operations, capital adjustments or adjustments to retained earnings, depending on the nature of the underlying changes in the book value of the investee.

Unmarketable equity securities and debt securities held to maturity are stated at cost. If market value or net book value declines significantly compared to acquisition cost and is not expected to recover, the acquisition cost is adjusted to the market value or net book value. In such cases, the difference between the carrying amount and the revalued amount is charged to current operations.

Premises and Equipment and Related Depreciation -

Premises and equipment used for business purposes are recorded at cost, except for those assets subject to upward revaluation in accordance with the Korean Asset Revaluation Law. Such revaluation presents facilities and buildings at their depreciated replacement cost and land at the prevailing market price, as of the effective date of revaluation. The revaluation increment, net of a 3% tax, is credited to capital surplus. Previously recorded accumulated depreciation was eliminated and a new basis for depreciation of the revalued assets was established. Depreciation is computed using the declining balance method, except for buildings and structures, which are depreciated using the straight-line method, based on the estimated useful lives of the assets as described below:

	Estimated useful lives
Buildings	20 ~ 40 years
Structures	10 ~ 40 years
Machinery	4 years
Vehicles	4 years
Others	4 years

Routine maintenance and repairs are charged to expense as incurred. Expenditures which enhance the value or extend the useful life of facilities are capitalized as premises and equipment.

Intangible Assets -

Intangible assets are stated at cost, net of accumulated amortization. Amortization of these intangibles is computed using the straight-line method over the period of 5 ~ 20 years.

Present Value Discount -

When the Bank disposes of foreclosed land and buildings under long-term installment contracts, the resulting long-term installment account receivables are valued at the net present value of future cash flows, calculated using the Bank's one year time deposit interest rate. 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.

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.

Foreign Currency Translation -

Assets and liabilities denominated in foreign currencies are translated into Korean Won at basic exchange rates (1,259.7 Won/US\$) on the balance sheet date. Resulting exchange gains or losses are reflected in current operations.

Accrued Severance Benefits -

Employees and directors with one or more years of service are entitled to receive a lump-sum payment upon termination of their employment with the Bank, based on their length of service and rate of pay at the time of termination. Accrued severance benefits represent the amount which would be payable assuming all eligible employees were to terminate their employment as of the balance sheet date.

On December 31, 2000 the Bank paid accrued severance benefits to employees and directors except for employees in overseas branches, and others. Actual payments of severance benefits for the years ended 2000 and 1999 amounted to W137,323 million (including W131,569 million of early payment of severance benefits) and W34,563 million, respectively. Early payment of severance benefits of W112,669 million is recorded in other account payable as of December 31, 2000.

Accrued severance benefits in 1999 were funded through a group severance insurance plan. The Bank accounts for the amounts funded under the plan as cash and due from banks. No amount was funded for 2000 due to the early payment of the severance benefits.

Provision For Possible Guarantee Losses -

The Bank provides a provision for possible losses on guarantees outstanding as determined based on a credit risk rating of the companies for which guarantees are

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provided. The Bank provides a provision of 20% or more of guaranteed amounts for companies classified as "substandard," 50% or more for "doubtful" and 100% for "loss." The allowance is shown in the liability section.

Deferred Income Taxes -

The Bank records deferred income taxes which arises from temporary differences between amount reported for financial reporting purposes and income tax purposes. Income tax expenses comprises taxes payable for the period and the change in deferred tax assets and liabilities for the period.

Bonds Purchased Under Resale Agreements and Bonds Sold Under Repurchase Agreements -

Bonds purchased or sold under resale or repurchase agreements are included in loans and borrowings, respectively. The difference between the sale and repurchase price is treated as interest and accrued evenly over the life of the agreements.

Translation of Foreign Currency Financial Statements -

Accounts and records of the overseas branches are maintained in foreign currencies. For presentation in the accompanying financial statements, the financial statements of the branches have been translated at exchange rates as of the balance sheet date.

Derivative Financial Instruments -

Derivative financial instruments for trading purposes are stated at fair value on the balance sheet date.

The Bank adopted the revised hedging accounting for derivatives from 2000. Derivative financial instruments for fair value hedges are stated at market. The gains and losses on the hedging instruments, as well as the related loss or gain on the hedged items, are recognized in current operations in the same accounting period.

In 1999, valuation gains and losses from derivatives for hedging purposes are recognized in a manner consistent with the accounting treatment appropriate for valuation gains and losses of underlying hedged transactions. The hedging instruments are valued at fair value when underlying hedged transactions are valued at market and resulting unrealized valuation gains or losses are recognized currently.

Compensation to Trust Accounts -

If the income from trust operations is insufficient to generate the required rate of return, the deficiency may be either recovered from previously established special allowances or compensated by the Bank's Banking Accounts. Such compensation is accounted for as other operating expenses of the Banking Accounts and other income of the Trust Accounts, in accordance with the relevant laws and regulations applicable to trust operations.

Statement of cash flows -

On the statement of cash flows, the Bank recorded the net cash inflows and outflows for loans, deposits and trading securities due to their frequent turnover and short-term maturity.

Reclassification of 1999 Accounts -

Certain accounts in the 1999 annual financial statements have been reclassified. These reclassifications and restatements have no effect on previously reported net income or retained earnings for 1999.

note 3. United States Dollar Amounts:

The Bank operates primarily in Korean Won and its official accounting records are maintained in Korean Won. The U.S. Dollar amounts are provided herein as supplementary information solely for the convenience of the 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.

note 4. Cash and Due from Banks:

Cash and due from banks at December 31, 2000 and 1999 comprise the following:

	Annual Interest Rate (%)	Millions of Won	
		2000	1999
Cash on hand in Won	-	W 82,333	W 77,758
Cash on hand in foreign currency	-	2,062	1,795
Due from banks in Won	0.0 - 8.6	466,212	153,150
Due from banks in foreign currency	0.0 - 8.9	4,631,098	6,633,218
		5,181,705	6,865,921
Less: Allowance for doubtful accounts		-	(38,449)
		W 5,181,705	W 6,827,472

Due from banks in Won at December 31, 2000 and 1999 are summarized as follows:

Bank	Annual Interest Rate (%)	Millions of Won	
		2000.12.31	1999
The Bank of Korea	-	W 172,641	W 65,706
Others	5.0 - 8.6	293,571	87,444
		W 466,212	W 153,150

Due from banks in foreign currency at December 31, 2000 and 1999 are summarized as follows:

Bank	Annual Interest Rate (%)	Millions of Won	
		2000.12.31	1999
The Bank of Korea	-	W 10,767	W 25,555
The Export-Import Bank of Korea	7.6	2,869,031	2,608,707
Kookmin Bank	7.1 - 7.8	567,071	662,228
KDB Asia (HK) Ltd.	6.9 - 7.3	170,060	-
KDB Ireland Ltd.	7.0 - 8.9	187,569	158,638
KDB Bank	7.0	111,232	-
Shinhan Bank	7.1 - 7.4	158,722	286,350
Others	2.1 - 8.0	556,646	2,891,740
		W 4,631,098	W 6,633,218

Restricted deposits included in due from banks at December 31, 2000 are as follows:

	Millions of Won	
Reserve deposits with the Bank of Korea	W 172,641	Reserve deposits with the Bank of Korea represent amounts required under the Banking Act for the payment of deposits. The deposits for severance payment are made under a group severance insurance plan, and their withdrawal is restricted to the actual payment of severance benefits. Reserve deposits with China Construction Bank also represent amounts required under the related banking regulations of those countries. Deposits with Hanvit Bank, Housing & Commercial Bank, Kookmin Bank, Chase Manhattan Bank, New York and others are pledged as collateral.
Deposits for severance payment	24,426	
China Construction Bank	4,544	
Hanvit Bank	21,893	
Housing & Commercial Bank	21,500	
Kookmin Bank	7,323	
Chase Manhattan Bank, New York and Others	17,655	
Sanwa Bank	6,299	
	W 276,281	

The maturity of amounts due from banks at December 31, 2000 and 1999 are as follows (millions of won):

Mature on or before December 31	Due from banks in Won	Due from banks in foreign currency	Total
2001	W 432,699	W 4,481,319	W 4,914,018
2002	26,190	38,925	65,115
2003	-	-	-
2004	-	28,973	28,973
2005	7,323	62,985	70,308
Thereafter	-	18,896	18,896
	W 466,212	W 4,631,098	W 5,097,310

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note 5. Securities:

Trading securities at December 31, 2000 and 1999 comprise the following:

	Annual Interest Rate (%)		Millions of Won	
	2000.12.31		2000	1999
Marketable equity securities	-		W 236,613	W 638,244
Government and public bonds	7.0 - 9.3		89,919	114,890
Corporate bonds	1.0 - 11.0		152,034	253,221
Beneficiary certificates	6.0 - 9.0		452,276	3,285,139
Debt securities in foreign currency	0.0 - 13.6		731,915	501,731
Other	14.0		78,061	194,439
			W 1,740,818	W 4,987,664

Par value, acquisition cost and fair value of trading debt securities at December 31, 2000 and 1999 are as follows (millions of won):

	Par Value		Acquisition Cost		Fair Value	
	2000	1999	2000	1999	2000	1999
Government and public bonds	W 89,000	W116,000	W 89,986	W116,085	W 89,919	W114,890
Corporate bonds	153,139	264,090	149,819	258,201	152,034	253,221
Securities in foreign currency	776,884	531,698	733,071	506,451	731,915	501,731
	W1,019,023	W911,788	W972,876	W880,737	W973,868	W869,842

Investment securities at December 31, 2000 and 1999 comprise the following:

	Annual Interest Rate (%)		Millions of Won	
	2000.12.31		2000	1999
Investments using the equity method	-		W 1,949,543	W 2,380,710
Investments not using the equity method	-		6,595,359	8,380,698
Government and public bonds	3.0 - 17.5		2,904,267	1,776,003
Corporate bonds	6.0 - 17.5		2,076,898	974,570
Investment securities in foreign currency	2.0 - 7.7		1,470,362	1,449,500
Other(*)	1.0 - 20.0		2,591,817	2,688,107
			W 17,588,246	W 17,649,588

(*)Other investment securities of W200,000 million are pledged as collateral to KDB First Securitization Specialty Co., Ltd. and KDB Second Securitization Specialty Co., Ltd.

Investments in debt securities available-for-sale at December 31, 2000 and 1999 comprise the following (millions of won):

	Par Value		Acquisition Cost		Market (Carrying) Value	
	2000	1999	2000	1999	2000	1999
Government and public bonds	W 205,676	W 280,585	W 205,542	W 280,375	W 213,518	W 273,634
Corporate bonds	2,079,619	1,048,463	2,029,782	1,014,489	1,973,761	974,570
Investment securities in foreign currency	802,156	985,785	584,520	699,571	454,348	582,512
Other	2,150,832	2,363,493	2,164,501	2,332,275	2,127,335	2,314,656
	W5,238,283	W4,678,326	W4,984,345	W4,326,710	W4,768,962	W4,145,372

Investments in debt securities held-to-maturity at December 31, 2000 and 1999 comprise the following (millions of won):

	Par Value		Acquisition Cost		Carrying Amount of Bonds	
	2000	1999	2000	1999	2000	1999
Government and public bonds	W2,690,749	W1,502,369	W2,690,749	W1,502,369	W2,690,749	W1,502,369
Corporate bond	107,000	-	102,374	-	103,137	-
Investment securities in foreign currency	1,025,237	875,919	1,019,119	736,439	1,016,014	866,988
Other	470,511	377,918	463,509	372,582	464,482	373,451
	W 4,293,497	W 2,756,206	W 4,275,751	W 2,611,390	W 4,274,382	W 2,742,808

Investments in subsidiaries at December 31, 2000 and 1999 comprise the following (millions of won):

	Ownership (%)	Acquisition Cost		Book Value		Fair Value or Net Book Value(*)	
		2000.12.31	2000	1999	2000	1999	2000
Investments using the equity method:							
The KDB Capital Corp.	76.56	W 340,160	W 378,014	W 132,207	W 328,754	W 108,691	W 364,475
Daewoo Securities	25.00	232,548	-	148,535	-	117,354	-
Daewoo Shipbuilding & Marine Engineering Co. Ltd.	40.82	390,368	-	390,368	-	240,707	-
Daewoo Heavy Industries & Machinery Ltd.	21.19	173,078	-	173,078	-	133,998	-
Seoul Debt Restructuring Fund	43.80	262,800	262,800	287,738	276,130	287,738	276,130
Arirang Restructuring Fund	43.73	145,800	145,800	136,940	306,753	136,940	306,753
Mukoonghwa Restructuring Fund	43.71	145,700	145,700	136,841	160,246	136,841	160,246
Hankang Restructuring Fund	23.01	145,700	145,700	137,411	194,235	137,411	179,211
Other		361,638	574,085	406,425	1,114,592	415,332	1,140,347
		W2,195,792	W1,625,099	W1,949,543	W 2,380,710	W1,715,012	W 2,427,162
Investments not using the equity method:							
Samsung Life Insurance	1.89	264,496	-	264,496	-	812	-
Industrial Bank of Korea	2.29	400,000	400,000	365,928	283,008	277,001	283,008
Korea Highway Corp	14.60	1,430,100	1,430,100	1,430,184	1,430,184	1,486,444	1,430,184
Korea National Housing Corp.	24.00	1,300,618	1,300,618	1,300,618	1,300,618	1,298,492	1,444,691
Korea Land Development Corp.	28.30	1,161,904	1,161,904	1,191,329	1,191,329	840,106	758,783
Other		2,786,586	3,429,386	2,042,804	4,175,559	1,877,134	3,755,364
		7,343,704	7,722,008	6,595,359	8,380,698	5,779,989	7,672,030
		W9,539,496	W9,347,107	W8,544,902	W10,761,408	W7,495,001	W10,099,192

(*) Net book value is used in the case of non-listed investees.

Investment securities using the equity method at December 31, 2000 are summarized as follows (millions of won):

	Beginning Book Value	Acquisition (Disposition)	Dividends	Valuation Gain or Loss(*)	Capital Adjustment	Ending Book Value
The KDB Capital Corp.	W 340,185	W(37,995)	W -	W 2,570	W(172,553)	W 132,207
Daewoo Securities	-	232,548	-	(32,601)	(51,412)	148,535
Daewoo Shipbuilding & Marine Engineering Co., Ltd.	-	390,368	-	-	-	390,368
Daewoo Heavy Industries & Machinery Ltd.	-	173,078	-	-	-	173,078
Seoul Debt Restructuring Fund	276,131	-	18,396	30,003	-	287,738
Arirang Restructuring Fund	306,753	-	43,740	(126,073)	-	136,940
Mukoonghwa Restructuring Fund	160,246	-	13,842	(9,563)	-	136,841
Hankang Restructuring Fund	194,235	-	24,186	(32,638)	-	137,411
Other	1,129,664	(723,212)	23,191	20,916	2,248	406,425
	W2,407,214	W 34,787	W123,355	W(147,386)	W(221,717)	W1,949,543

(*) Valuation gain or loss includes gain on foreign currency translation of W8,364 million.

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The equity method adjustments, which comprise the differences between the initial purchase price and the Bank's initial proportionate ownership of net book value of investees at the time of purchase, are amortized over 5 years using the straight-line method. The accumulated unamortized equity method adjustments are as follows (millions of won):

	Equity Method Adjustment			
	Debit		Credit	
Beginning balance	W	35,876	W	26,225
Increased(Decreased)		223,025		(13,242)
Amortized		(13,635)		(2,248)
Ending balance	W	245,266	W	10,735

Investment securities denominated in foreign currency at December 31, 2000 and 1999 comprise the following:

Foreign Currency (In thousands)				Millions of Won			
2000		1999		2000		1999	
Securities available-for-sale							
BEF	744	BEF	736	W	22	W	21
CHF	2,450	CHF	21,077		1,916		15,119
DEM	9,901	DEM	22,308		6,010		13,123
IDR	-	IDR	3,906		-		63
JPY	274,689	JPY	1,290,469		3,025		14,477
MYR	-	MYR	16,684		-		5,029
THB	-	THB	31,864		-		976
USD	351,969	USD	465,853		443,375		533,704
				W	454,348	W	582,512
Securities held-to-maturity							
CHF	1,125	CHF	8,211	W	880	W	5,890
DEM	-	DEM	5,061		-		2,977
JPY	12,212,413	JPY	11,676,264		134,522		130,989
USD	699,064	USD	634,828		880,612		727,132
				W	1,016,014	W	866,988

Issuers of the securities held by the Bank at December 31, 2000 and 1999 are categorized as follows:

	Millions of Won		Percentage (%)
	2000	1999	
By Country			
The Republic of Korea	W 18,826,166	W 22,185,874	97.40
The Philippines	128,326	110,866	0.66
Thailand	37,432	100,297	0.19
Indonesia	64,299	75,564	0.34
Other	272,841	164,651	1.41
	W 19,329,064	W 22,637,252	100.00

	Millions of Won		Percentage (%)
	2000	1999	2000.12.31
By Issuer			
Korea Highway Corporation	W 1,430,184	W 1,430,184	7.40
Korea Asset Management Corp.	829,211	1,338,900	4.29
Korea National Housing Corp.	1,300,618	1,300,618	6.73
Korea Deposit Insurance Corp.	1,383,054	42,511	7.16
Korea Land Development Corp.	1,295,670	1,191,329	6.70
Korea Electric Power Corporation	377,338	918,175	1.95
Other	12,712,989	16,415,535	65.77
	W 19,329,064	W 22,637,252	100.00

	Millions of Won		Percentage (%)
	2000	1999	2000.12.31
By Industry			
Banking and insurance	W 7,579,135	W 8,914,294	39.21
Construction	3,705,650	4,933,261	19.17
Manufacturing	3,377,051	4,797,765	17.47
Public administration and national defense	1,475,203	1,614,313	7.63
Electric, gas and water supply industry	641,551	1,013,238	3.12
Other	2,550,474	1,364,381	13.20
	W 19,329,064	W 22,637,252	100.00

note6. Loans:

Loans at December 31, 2000 and 1999 comprise the following:

	Millions of Won	
	2000	1999
Loans in Won	W 23,450,536	W 20,150,673
Loans in foreign currency	19,482,073	20,685,826
Notes purchased	1,188,817	857,511
Bills purchased	2,651,287	1,697,674
Advances for customers	242,119	448,819
Bonds purchased under repurchase agreements	209,376	42,322
Call loans	972,342	473,995
Domestic import usance bills	1,861,803	1,290,050
Debentures accepted by private subscription	2,485,265	1,275,206
Other	75,414	95,429
	52,619,032	46,981,505
Less: Provision for possible loan losses	(2,163,037)	(3,201,167)
Present value discount account	(426,678)	(486,968)
	W 50,029,317	W 43,293,370

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Loans in Won and foreign currency as of December 31, 2000 and 1999 comprise the following :

(1) Loans in Won

	Annual Interest Rate (%)		Millions of Won	
	2000.12.31		2000	1999
Loans for working capital:				
Industrial fund loans	6.9 - 12.4	W	7,867,942	W 4,845,654
Government fund loans	7.1 - 7.5		348,491	323,098
Banking institution loans	6.6 - 6.8		349,510	435,310
Other	-		578,596	455,566
			<u>9,144,539</u>	<u>6,059,628</u>
Loans for facilities:				
Industrial fund loans	7.7 - 13.6		11,152,613	10,867,803
Government fund loans	7.0 - 7.5		1,518,618	1,643,339
Other	-		1,634,766	1,579,903
			<u>14,305,997</u>	<u>14,091,045</u>
			W 23,450,536	W 20,150,673

(2) Loans in foreign currency

	Annual Interest Rate (%)		Millions of Won	
	2000.12.31		2000	1999
Loans for working capital:				
Local currency loans denominated in foreign currencies	3ML+1.2 - 6.4	W	1,273,144	W 821,655
Foreign currency loans	3ML+1.8 - 6.1		1,724,916	1,963,180
Other	-		1,852	3,262
			<u>2,999,912</u>	<u>2,788,097</u>
Loans for facilities:				
Local currency loans denominated in foreign currencies	3ML+2.1 - 6.9		5,237,503	7,070,402
Foreign currency loans	3ML+1.8 - 6.6		2,963,265	2,921,580
Offshore loans in foreign currencies	6ML+0.3 - 7.5		2,691,234	3,396,105
ADB loans	6ML+0.8		1,267,583	1,151,158
IBRD loans	6ML+1.0 - 1.4		4,320,271	3,356,198
Other	6ML+2.8		2,305	2,286
			<u>16,482,161</u>	<u>17,897,729</u>
			W 19,482,073	W 20,685,826

The maturity of loans in Won and foreign currency at December 31, 2000 are as follows:

Matured on or before December 31	Loans for working capital in Won	Loans for facility in Won	Loans for working capital in foreign currency	Loans for facility in foreign currency	Total
2001	W5,702,497	W 2,033,507	W1,539,077	W 2,871,725	W12,146,806
2002	1,335,058	2,495,402	606,243	2,548,626	6,985,329
2003	259,705	2,525,716	391,532	2,307,610	5,484,563
2004	355,624	1,958,764	214,132	1,832,243	4,360,763
2005	824,773	1,817,727	133,931	2,467,148	5,243,579
Thereafter	666,882	3,474,881	114,997	4,454,809	8,711,569
	<u>W9,144,539</u>	<u>W14,305,997</u>	<u>W2,999,912</u>	<u>W16,482,161</u>	<u>W42,932,609</u>

Changes in the provision for possible loan losses during the year ended December 31, 2000 are as follows:

	Millions of Won			
	Due from banks in foreign currency	Loans	Other assets	Total
Balance at beginning of year	W 38,449	W 3,201,167	W 163,934	W 3,403,550
Changes in overseas branch due to foreign currency translation	-	6,703	-	6,703
Transfer from loan acquisition	-	393,185	-	393,185
Current write-offs	-	(1,027,214)	-	(1,027,214)
Write-offs due to loan restructuring	-	(150,799)	-	(150,799)
Current provision provided	(38,449)	(271,456)	(71,236)	(381,141)
Other	-	11,451	-	11,451
	W -	W 2,163,037	W 92,698	W 2,255,735

At December 31, 2000 and 1999, a provision for possible loan losses and doubtful accounts is provided as follows:

	Millions of Won	
	2000	1999
Loans		
Loans in Won and foreign currency and notes purchased	W 1,650,364	W 2,418,097
Bills purchased	222,022	210,667
Advances for customers	57,787	254,738
Call loans	17,499	69,983
Domestic import usance bills	29,947	33,625
Debentures accepted by private subscription	149,339	213,862
Other loans	36,079	195
	2,163,037	3,201,167
Due from banks in foreign currency	-	38,449
Other assets	92,698	163,934
	W 2,255,735	W 3,403,550

The provision ratios to total loans at December 31, 2000, 1999 and 1998 are 4.27%, 6.81% and 4.97%, respectively.

Restructured loans for 2000 and 1999 due to court receivership, court mediation or other financial restructuring process are as follows:

	Millions of Won	
	2000	1999
Changes in contractual terms	W 2,016,184	W 1,352,227
Exemption	-	418,889
Conversion to equity investment	742,467	209,025
Conversion to convertible bonds	117,031	592,243
Total	W 2,875,682	W 2,572,384

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When the contractual terms (i.e., principal, interest rate, or maturity) of impaired loans are restructured, the Bank adjusts the carrying amount of the impaired loans to the present value determined based on the restructured terms. The Bank recognizes losses arising from the restructuring of the impaired loans as incurred. Loans restructured by changes in contractual terms are as follows (in Millions of Won):

	Period of Restructuring	
	2000	1999
Beginning		
Original amount before restructuring	W 2,430,217	W 2,761,587
Present value	1,943,249	2,262,520
Present value discount	486,968	499,067
Increase	157,050	67,951
Decrease(Amortization)	(217,340)	(80,050)
	(60,290)	(12,099)
Ending		
Original amount before restructuring	2,588,016	2,430,217
Present value	2,161,338	1,943,249
Present value discount	426,678	486,968

The present value discount is amortized using the effective interest rate method over the redemption period.

Certain customers of the Bank are in the process of restructuring loans with their creditor banks. The Bank's exposure as of December 31, 2000 to Daewoo Group companies and customers under work-out programs are as follows:

	Millions of Won
Loans and guarantees	W 3,651,291
Provision for possible loss	1,619,052

The Bank's loan portfolio by nation, major customers and industry as of December 31, 2000 and 1999 are categorized as follows:

	Millions of Won		Percentage (%)
	2000	1999	
By nation:			2000.12.31
The Republic of Korea	W 41,671,948	W 40,145,978	97.06
Indonesia	287,498	273,129	0.67
China	220,119	83,054	0.51
USA	214,147	72,893	0.50
Other	538,897	261,445	1.26
	W 42,932,609	W 40,836,499	100.00

	Millions of Won		Percentage (%)
	2000	1999	2000.12.31
By customer:			
Korea Electric Power Corp.	W 5,573,650	W 5,303,530	12.98
Small & Medium Industry Promotion Corp.	2,861,330	2,601,701	6.66
Korea Deposit Insurance Corp.	3,061,076	1,145,400	7.13
KDB Capital Corp.	539,498	913,831	1.26
Korea Highway Corp.	493,454	566,718	1.15
Korea Asset Management Corp.	1,131,559	500,919	2.64
Other	29,272,042	29,804,400	68.18
	W 42,932,609	W 40,836,499	100.00

	Millions of Won		Percentage (%)
	2000	1999	2000.12.31
By industry:			
Manufacturing	W 18,225,460	W 18,701,995	42.45
Banking and Insurance	11,013,829	9,592,529	25.65
Electric, gas and water supply industry	6,315,393	6,059,343	14.71
Transportation and communication	3,826,790	3,168,237	8.92
Construction	988,664	1,029,106	2.30
Other	2,562,473	2,285,289	5.97
	W 42,932,609	W 40,836,499	100.00

note 7 . Premises and Equipment:

Premises and equipment at December 31, 2000 and 1999 comprise the following:

	Millions of Won					
	Acquisition Cost or Revaluation		Accumulated Depreciation		Net Book Value	
	2000	1999	2000	1999	2000	1999
Land	W 417,070	W 422,375	W -	W -	W 417,070	W 422,375
Buildings and structures	169,152	164,367	15,637	13,443	153,515	150,924
Machinery	48,474	38,588	36,539	26,865	11,935	11,723
Vehicles	1,102	1,129	837	862	265	267
Construction in progress	150,829	87,726	-	-	150,829	87,726
Other	22,106	18,191	15,765	12,916	6,341	5,275
	W 808,733	W 732,376	W 68,778	W 54,086	W 739,955	W 678,290

In accordance with the Asset Revaluation Law, on July 1, 1998, the Bank revalued a substantial portion of its land and premises used for business purposes, based primarily on current replacement costs. The revaluation increment of W679,486 million, net of a revaluation tax payment of W11,288 million, was credited to capital surplus and used to offset accumulated deficit as approved by the Korean Government on February 27, 1999.

At December 31, 2000 and 1999, the government-posted prices of the Bank's land are W307,094 and W300,125 million respectively.

The Bank's premises and equipment, other than construction in progress, are covered by insurance policies against fire and other casualty losses. Automotive equipment is covered by a legal and general insurance policy.

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note 8. Other Assets:

Other assets at December 31, 2000 and 1999 comprise the following:

	Millions of Won	
	2000	1999
Prepaid expenses	W 458,190	W 743,410
Receivables	2,241,610	113,516
Accrued income	715,686	597,794
Intangible assets	31,425	12,848
Deferred tax asset	152,299	152,401
Other	531,002	771,654
	4,130,212	2,391,623
Loss: Provision for possible losses	(92,698)	(163,934)
Present value discount	(427)	(579)
	W 4,037,087	W 2,227,110

note 9. Deposits:

Deposits at December 31, 2000 and 1999 comprise the following:

	Annual Interest Rate (%)	Millions of Won	
		2000	1999
Won currency deposits:			
<u>Demand deposits</u>			
Checking deposits	-	W 4,093	W 7,412
Temporary deposits	-	91,972	131,483
Passbook deposits	1.0	34,842	35,016
		130,907	173,911
<u>Time & savings deposits</u>			
Time deposits	3.0-8.0	4,758,719	2,632,424
Installment savings deposits	6.7-8.5	127,781	132,208
Savings deposits for corporate	3.0-5.0	1,268,512	831,950
Savings deposits	2.0-6.0	330,973	177,916
Long-term savings for household	10.5-11.5	92,763	45,371
Other	3.0-11.0	26,155	6,177
		6,604,903	3,826,046
		W 6,735,810	W 3,999,957
Foreign currency deposits :			
<u>Demand deposits</u>			
Checking deposits	-	W 95,322	W 5,289
Passbook deposits	0.0-2.2	31,114	70,837
Temporary deposits	-	1,109	914
Other	-	2,488	32,916
		130,033	109,956
<u>Savings deposits</u>			
Time deposits	0.1-7.9	267,149	246,369
		W 397,182	W 356,325
Negotiable certificates of deposits	5.2-6.4	W 1,388,975	W 2,539,402
		W 8,521,967	W 6,895,684

The maturities of time & savings deposits in won and foreign currency at December 31, 2000 are as follows (Millions of Won):

Matured on or before December 31	Time Deposits	Savings Deposits	Time Deposits in Foreign Currency	Total
2001	W4,177,396	W 75,761	W265,145	W4,518,302
2002	253,359	44,892	1,840	300,091
2003	327,964	7,128	164	335,256
	W4,758,719	W127,781	W267,149	W5,153,649

note 10. Borrowings:

Borrowings as of December 31, 2000 and 1999 comprise the following:

	Annual Interest Rate(%)	Millions of Won	
		2000.12.31	1999
Won currency borrowings			
Ministry of Finance and Economy	2.0 - 10.0	W 2,628,883	W 2,658,589
Industrial Bank of Korea	5.5 - 6.7	267,215	232,424
Small & Medium Industry Promotion Fund	6.5 - 7.0	336,009	376,201
Ministry of Culture and Tourism	4.5	337,148	287,307
Korea Energy Management Corporation	4.5 - 6.5	353,081	311,326
Local governments	6.5 - 7.5	105,343	126,202
Other	0.0 - 7.0	252,775	258,764
		4,280,454	4,250,813
Foreign currency borrowings			
Small & Medium Industry Promotion Fund	Libor+1.7-2.3	4,120	5,442
KFW (Germany)	Libor+2.0	47,953	34,621
ADB	Libor+0.40	3,786,983	3,441,481
IBRD	Libor+1.0	8,817,900	7,445,100
The Japan Bank of International Cooperation("JBIC")	2.2	295,245	292,630
The Bank of Korea	6.2	388,553	1,145,856
Other	2.3 - 7.3	3,419,063	3,212,205
		16,759,817	15,577,335
Other borrowings			
Bonds sold under repurchase agreement		1,629,949	618,762
Notes sold		201,790	154,051
Call money		692,021	40,385
		2,523,760	813,198
		W 23,564,031	W 20,641,346

The repayment of W431,429, W107,270, and W4,858 million included in the borrowings above are guaranteed by the Korean Government, Export Insurance Corporation in Germany and Export Insurance Corporation in Switzerland, respectively.

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The maturities of borrowings in won and foreign currency at December 31, 2000 are as follows (Millions of Won):

Matured on or before December 31	Won Currency Borrowings	Foreign Currency Borrowings	Total
2001	418,188	1,694,787	2,112,975
2002	500,439	428,188	928,627
2003	489,393	1,549,414	2,038,807
2004	632,013	4,150,885	4,782,898
2005	514,347	2,754,207	3,268,554
Thereafter	1,726,074	6,182,336	7,908,410
	4,280,454	16,759,817	21,040,271

The subordinated debt included in borrowings at December 31, 2000 comprises the following:

Type	Annual Interest Rate (%)	Millions of Won	Condition of Borrowings
Government fund	5.0-10.0	2,628,444	Installment reimbursement
AID relending facilities	2.0	439	id
ADB relending facilities	Libor+0.40	3,786,983	Lump sum reimbursement
IBRD relending facilities	Libor+1.0	8,817,900	Installment reimbursement
		15,233,766	

note 11 . Industrial Finance Bonds:

Industrial finance bonds issued ("IFBI") as of December 31, 2000 and 1999 comprise the following:

	Annual Interest Rate(%)	Millions of Won	
	2000.12.31	2000	1999
IFBI in Won	1.0 - 18.0	W 25,093,529	W 22,864,522
IFBI in foreign currency	Libor+0.1-0.9	9,901,203	11,561,509
Offshore IFBI in foreign currency	1.0 - 9.0	3,492,038	3,688,197
		38,486,770	38,114,228
Premiums on IFBI		594	1,786
Discounts on IFBI		(126,750)	(171,183)
		W 38,360,614	W 37,944,831

Under the Korea Development Bank Act, the Bank has authority to issue industrial finance bonds. The amount of issued bonds and guarantees outstanding by the Bank is limited to the amount of 30 times of paid-in capital and legal reserve. Bonds purchased or guaranteed by the Government are not included in the limit. When existing bonds are refinanced or guarantees are executed, the limit is temporarily not applied. The amount of issued bonds

guaranteed by the Korean Government as of December 31, 2000 and 1999 are W27,801 million and W801,785 million, respectively.

The Bank acquired W261,163million and W249,224 million of industrial finance bonds as of December 31, 2000 and 1999, respectively. The Bonds are deducted from industrial bonds issued.

The maturities of IFBI at December 31, 2000 are as follows (Millions of Won):

Matured on or before December 31	IFBI in Won	IFBI in Foreign Currency	Offshore IFBI in Foreign Currency	Total
2001	W10,287,643	W1,719,972	W1,580,718	W13,588,333
2002	6,027,396	2,908,236	712,798	9,648,430
2003	4,195,697	1,058,148	216,668	5,470,513
2004	1,870,116	2,041,261	503,880	4,415,257
2005	2,605,556	780,075	56,092	3,441,723
Thereafter	107,121	1,393,511	421,882	1,922,514
	W25,093,529	W9,901,203	W3,492,038	W38,486,770

note 12. Other Liabilities:

Other liabilities at December 31, 2000 and 1999 comprise the following:

	Millions of Won	
	2000	1999
Payables	W 1,935,705	W 256,871
Accrued expenses	1,452,578	1,495,469
Advanced income	212,817	214,282
Guarantee deposits	41,158	51,874
Advance received on IFBI	38,114	203,399
Provisions for possible losses from disposed loans	695,607	706,348
Trust account debit	-	237,921
Other	282,024	137,086
	W 4,658,003	W 3,303,250

note 13. Guarantees Outstanding:

The Bank provides guarantees for its customers. Guarantees outstanding and the related provision for possible loss as of December 31, 2000 are as follows (millions of Won):

	Guarantees Amount		Provision for Possible Loss	
	2000	1999	2000	1999
Acceptances	W 4,582,257	W3,437,826	W158,799	W 137,325
Guarantees on local borrowings	1,782,979	2,802,057	71,346	237,755
Guarantees on indebtedness in foreign currency	3,641,879	3,523,624	136,342	154,577
Letters of guarantee for importers	56,727	36,229	1,008	61
	W10,063,842	W9,799,736	W367,495	W529,718

note 14. Commitments and Contingencies:

As of December 31, 2000, the Bank has outstanding commitments related to commercial letters of credit and other guarantees (excluding the guarantees described in Note 13) amounting to W2,084,119 million.

The Bank has entered into agreements with foreign banks for certain syndicated loans. The total amount available under such loans is US\$ 45,764 thousand, of which US\$ 5,321 thousand has not been withdrawn by borrowers as of December 31, 2000.

During 1998, the Bank sold with recourse W3,084,141 million of non-performing loans classified as substandard or below to the Korea Asset Management Corporation for proceeds of W1,339,629 million. The resulting loss was recorded as a loss on disposition of loans during 1998. During 2000, the Bank recognized gains and losses from

the settlement of such loans in the amount of W71,874 million and 1,514 million, respectively. As of December 31, 2000, the Bank recorded a provision for possible losses from unsettled disposed loans amounting to W695,607 as other liabilities (see Note 12).

The bank sold off W950,627 million of loans to KDB First Securitization Specialty Co., Ltd. and W914,764 million of loans to KDB Second Securitization Specialty Co., Ltd. in accordance with Asset Securitization Plan on June 8, 2000 and November 8, 2000, respectively. According to the contracts on asset transfer stipulating warranty for the above assets, the bank has a responsibility of warranty up to the 30 percent of the proceeds when the principal or a part of the interest is not repaid at the expected due date of cash flows. Securitization of W200,000 million have been provided as collateral to KDB First Securitization Specialty Co., Ltd. and KDB Second Securities Specialty Co., Ltd.

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The bank sold off W3,935,457 million of loans in 2000 to KDBLONESTAR CRC of W928,496 million, Korea Asset Management Corporation of W1,024,831 million, W1,865,391 million mentioned above, and others. The Bank recorded gain and loss from the disposition of the loans amounting to W10,203 million and W1,903,788 million, respectively.

The bank has provided credit lines to several securitization specialty companies in an amount of W2,978,400 million, of which W42,097million was withdrawn as of December 31, 2000.

The bank made a contract with Doosan Consortium to sell 19,482,314 shares of Korea Heavy Industrial & Construction Co., Ltd. at W8,150 per share. The Bank received ten percent of the contract amount as a down payment, and is supposed to be paid in three installment by March, 2001. The shares will be transferred on March 19, 2001, when all the proceeds have been received.

The Bank received 377,852 shares of Samsung Life Insurance donated by the chairman of Samsung Group, to make up uncollectable debts of Samsung Motors Inc. to the Bank. The Bank wrote off the outstanding Samsung Motors loans and recorded a gain of W264,496 million from the shares of Samsung Life Insurance valued W700 thousand per share. According to the agreement between Samsung Group companies and the creditors of the Samsung Motors. Samsung Group companies agreed to make up a possible short fall, in case the donated shares fall short of the Samsung Motors' debt. The ultimate effect of the related uncertainties cannot presently be determined.

Under the contract with Samsung Group companies, Samsung promised to sell the Samsung Life shares on behalf of the Bank by the end of 2000 and pay the cash agreed to the creditor of the Samsung Motors. Otherwise, Samsung is obliged to pay overdue interest to the creditors. However, Samsung has not complied with the contract until the balance sheet date.

As discussed in Note 6 to the financial statements, the Bank has outstanding loans to Daewoo Group Companies and other work-out companies. The actual losses from these loans may differ from management's current estimation.

The Bank entered into an agreement with the JBIC (Japan Bank for International Cooperation) in 2000 relating to W295,245 millions of loans to be used for designated purposes. As of December 31, 2000, the Bank has local loans denominated in foreign currency and foreign

currency loans amounting W293,938 million and W1,307 million, respectively, relating to this borrowing.

In connection with the Asian financial crisis which began in 1997, the Korean economy as well as other economies in the Asia Pacific region experienced economic contractions, a reduction in the availability of credit, increased interest rates, increased inflation, negative fluctuations in currency exchange rates, increased numbers of bankruptcies, increased unemployment and labor unrest. Such conditions had a significant adverse effect on the operations of the Bank and other companies in Korea and in the Asia Pacific region. Significant uncertainties still exist related to the economy in Korea and in the Asia Pacific region. The accompanying financial statements reflect management's current assessment of the impact to date of the economic situation on the financial position of the Bank. Actual results may differ materially from management's current assessment.

note 15. Derivative Financial Instruments and the Related Contracts:

The Bank utilizes derivative financial instruments to hedge against financial market risks or for trading purposes.

In case of trading purposes, the Bank uses futures & forward contracts, swaps, options, in order to gain a profit from short-term fluctuations of the underlying value of the derivatives, by forecasting the future interest rate, exchange rate or other variables affecting the value of the instruments. Furthermore, the Bank also trades the instruments to hedge against the derivative financial instruments purchased by the Bank's customers.

Additionally, the trading derivatives include the derivatives used to hedge exchange rate of the Bank's foreign currency assets & liabilities and interest rate of the Bank's loans and borrowings, which the underlying assets and liabilities are already valued at fair market value in accordance with the financial accounting standards accepted in the Republic of Korea or the position hedging transactions in which derivative instruments are not specifically identified to the underlying transactions.

The hedging instruments generally include the cross currency swaps and/or interest rate swaps used to hedge the borrowings and bonds denominated in foreign currency from the exchange rate and/or the interest rate risks. Those hedging transactions are made with foreign financial institutions and domestic banks. The hedging instruments also include the interest swaps used to reduce interest rate risks of the Industrial Finance Bonds Issued in Won.

The unsettled contract amount of the Bank's derivatives and the related valuation gain(loss) are as follows:

	The unsettled contract amount			Valuation gain/loss (I/S)			
	Total	Trading purpose	Hedging purpose	Total	Trading purpose	Hedging purpose	Valuation gain/loss(B/S)
Currency							
Forward	W 5,255,915	W 5,255,915	W -	W 70,784	W 70,784	W -	W 70,363
Futures	113,373	113,373	-	-	-	-	-
Swap	11,694,087	8,104,884	3,589,203	(684,860)	(9,752)	(675,108)	(330,066)
Call options	709,566	709,566	-	28,591	28,591	-	27,533
Put options	709,566	709,566	-	(23,199)	(23,199)	-	(27,533)
	18,482,507	14,893,304	3,589,203	(608,684)	66,424	(675,108)	(259,703)
Interest rate							
Forward	74,486	74,486	-	88	88	-	88
Futures	2,898,082	2,898,082	-	440	440	-	-
Swap	13,664,189	12,484,670	1,179,519	266,183	93,365	172,818	217,345
	16,636,757	15,457,238	1,179,519	266,711	93,893	172,818	217,433
Stock price index							
Options	1,500	1,500	-	-	-	-	6
	1,500	1,500	-	-	-	-	6
	W 35,120,764	W 30,352,042	W 4,768,722	W (341,973)	W160,317	W (502,290)	W (42,264)

The Bank adopted the revised accounting standards for derivative financial instruments for hedging purposes from 2000 (see Note 2). The financial statements for 1999 were not restated.

note 16. Equity:

Paid-in Capital -

The Bank increased and decreased its paid-in capital several times including additional raising of W100,000 million and reducing of W959,800 million paid-in capital for the year ended in December 31, 2000. Paid-in capital of the Bank at December 31, 2000 is W4,111,861 million.

Capital Reserves -

In accordance with a resolution of the board of directors on October 27, 1998, the Bank decreased its paid-in capital by W4,218,800 million, of which W4,184,046 million was used to offset accumulated deficit and the remaining amount of W34,754 million was credited to capital reserve. Also in accordance with a resolution of the board of directors on November 22, 2000, the Bank decreased its paid-in-capital by W959,800 million, of which W950,181 million will be used to offset accumulated deficit and the remaining amount of W9,619 million will be credited to capital reserve.

Legal Reserve -

The Korea Development Bank Act requires the Bank to appropriate net income as a legal reserve. This reserve can be transferred to paid-in capital or used to offset accumulated deficit.

Offset of Accumulated Deficit -

In accordance with the Korea Development Bank Act, the Bank offsets accumulated deficit with reserves. If reserves are insufficient to eliminate the accumulated deficit, the Government should complement the deficiency. Legal reserves of W54,594 million were used to offset accumulated deficit with approval of the Government on February 19, 1998. Capital surplus of W4,879,924 million and legal reserves of W9,522 million were used to offset accumulated deficit with the approval of the Government on February 27, 1999. Capital surplus of W950,181 million and legal reserves of W456,997 million will be used to offset accumulated deficit on February 28, 2001 with approval of the Government.

Cumulative Effects of Accounting Changes -

According to the revised financial accounting standards generally accepted in the Republic of Korea and new accounting standards for the banking industry, the Bank adopted or changed certain accounting methods effective January 1, 1999 and 2000. Retained earnings as of the beginning of 1999 have been increased for the effect of retroactive application of new methods as follows (Millions of Won):

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	Millions of Won			
	2000		1999	
Losses on valuation of derivative financial instruments	W	(35,250)	W	-
Gains on valuation of investment by equity method		26,504		490,527
Other		-		(245,248)
	W	(8,746)	W	245,279

Capital adjustment -

Changes in gains or losses on valuation of investment securities accounted as capital adjustments are as follows(millions of Won):

	2000		1999	
	Investments on Equity Securities	Investments in Debt Securities	Total	Total
Beginning Balance	W 829,580	W(53,760)	W 775,820	W 76,147
Decrease due to disposal	525,415	(25,212)	500,203	11,663
Net gains or losses on valuation in 2000	(668,999)	35,314	(633,685)	711,336
Ending Balance	W(364,834)	W 6,766	W(358,068)	W775,820

note 17 . Other Non-interest Revenue (Expense):

Other non-interest revenue (expense) for the year ended December 31, 2000 and 1999 comprises the following(millions of Won):

	Millions of Won			
	2000		1999	
Other Non-Interest Revenue				
Gain on foreign currency transaction	W	927,760	W	877,220
Reversal of provision for possible losses on guarantees outstanding		150,731		-
Reversal of provision for possible loan losses		381,141		-
Others		85,371		73,209
	W	1,545,003	W	920,429
Other Non-Interest Expense				
Loss on foreign currency transaction	W	430,417	W	1,055,369
Education tax		32,574		34,133
Deposit insurance expenses		22,135		13,140
Provision for possible losses on guarantees outstanding		-		228,017
Donations		40,766		47,054
Others		95,716		37,286
	W	621,608	W	1,414,999

note 18 . General and Administrative Expenses:

General and administrative expenses for the year ended at December 31, 2000 and 1999 comprise the following:

	Millions of Won			
	2000		1999	
Salaries	W	101,831	W	83,062
Retirement allowance		27,244		24,025
Employee benefits		19,064		16,525
Rent		5,644		4,486
Depreciation		18,551		14,045
Taxes and dues		10,335		9,488
Printing		3,066		2,442
Travel		2,839		2,700
Commission		9,129		7,161
Other		32,295		20,065
	W	229,998	W	183,999

note19. Non-operating Income (Expense):

Non-operating income(expense) for the year ended December 31, 2000 and 1999 comprise the following:

	Millions of Won	
	2000	1999
Non-operating income		
Gain on disposition of premises and equipment	W 1,374	W 1,788
Rental income	5,215	1,556
Gain on disposal of loans	82,077	702,801
Gain from investment securities	526,786	1,104,966
Other	6,615	3,831
	<u>622,067</u>	<u>1,814,942</u>
Non-operating expenses		
Loss on disposition of premises and equipment	W 1,644	W 2,451
Loss on disposal of loans	1,905,302	529,876
Loss from investment securities	713,183	355,449
Other	17,118	3,094
	<u>W 2,637,247</u>	<u>W 890,870</u>
	W (2,015,180)	W 924,072

note20. Income Tax Expenses:

The statutory income tax rate applicable to the Bank, including resident tax surcharges, is approximately 30.8%. However, there was no provision for domestic income taxes except special additional taxes due to current year's operating losses. The effective tax rate is approximately 29.45% for the year ended December 31, 1999.

Income tax expense for the years ended December 31, 2000 and 1999 comprises the following:

	Millions of Won	
	2000	1999
Income taxes payable	W 13	W -
Deferred income taxes	-	87,882
Income taxes for overseas branches	614	492
	<u>W 627</u>	<u>W 88,374</u>

The tax effect of major tax adjustments for the year ended December 31, 2000 and 1999 are as follows:

	Millions of Won	
	2000	1999
Income before income tax expenses	W (1,397,804)	W 300,092
Computed tax at the expected statutory rate	(430,524)	92,428
Temporary differences (tax effect):		
Provision for possible loan losses	363,336	(637,232)
Provision for severance benefits	(25,549)	(4,070)
Loss on settlement of non-performing loans disposed	(3,308)	104,046
Loss on investments by equity method	174,119	19,298
Write-offs of loans	-	116,474
Provision for guarantees outstanding	(49,965)	70,229
Impairment loss on investment securities	79,485	96,472
Present value discount account	(18,569)	97,080
Other	296,959	57,996
	<u>816,508</u>	<u>(79,707)</u>
Permanent differences (tax effect):		
Dividends received deduction	(10,618)	(4,974)
Other	(126)	426
	<u>(10,744)</u>	<u>(4,548)</u>
Tax effect of taxable income	375,240	8,173
Tax effect of operating loss carryforward	(375,240)	(8,173)
Income taxes payable	W -	W -

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Changes in temporary differences for the years ended December 31, 2000 and 1999 are as follows (millions of Won):

	Beginning balance		Decrease		Increase		Ending balance	
	W		W		W		W	
Accrued severance benefits	W	82,952	W	82,952	W	-	W	-
Acquisition of stocks resulted from								
transferring capital surplus to common stocks		135,556		11,207		448		124,797
Loss on valuation of investment securities		19,237		6,356		-		12,881
Gain on valuation of trading securities		(371,128)		(173,458)		(9,695)		(207,365)
Impairment Loss on investment equity securities		608,026		-		257,300		865,326
Impairment Loss on investment debt securities		326,022		101,305		102,077		326,794
Present value discount account		486,968		486,968		426,678		426,678
Provision for possible loan losses		-		-		1,179,661		1,179,661
Provision for guarantees-outstanding		529,718		529,718		367,495		367,495
Loss on settlement of non-performing loans disposed		706,348		706,348		695,607		695,607
Loss on investment valuation by equity method		(428,909)		(355,408)		209,914		136,413
Other		(176,193)		(502,437)		315,067		641,311
		1,918,597		893,551		3,544,552		4,569,598
Operating loss carryforward		2,625,333		1,218,312		-		1,407,021
		W4,543,930		W2,111,863		W3,544,552		W5,976,619
Deferred tax assets (2000)		W1,399,531		W 650,454		W1,091,722		W1,840,799
Deferred tax assets (1999)		W1,487,410		W 505,145		W 417,266		W1,399,531

Considering future deductibility of accumulated deficit from future taxable income the Bank recorded W152,401 million out of total future tax benefits of W1,840,799 million.

note21 . Assets and Liabilities Denominated in Foreign Currencies:

Significant assets and liabilities denominated in foreign currencies at December 31, 2000 and 1999 are as follows:

	Thousands of U.S.\$ (*)		Millions of Won	
	2000	1999	2000	1999
(Assets)				
Foreign exchange	\$ 1,637	\$ 1,567	W 2,062	W 1,794
Due from bank	3,676,350	5,791,181	4,631,098	6,633,218
Trading securities	660,424	438,040	831,936	501,731
Investment securities	1,441,086	1,265,497	1,815,336	1,449,500
Bills bought	2,104,697	1,482,167	2,651,286	1,697,674
Call loans	613,549	163,989	772,888	187,833
Loans	15,409,869	18,059,914	19,411,812	20,685,826
Domestic import usance bills	1,477,973	1,126,288	1,861,803	1,290,050
Receivables	892,821	9,723	1,124,687	11,137
Other assets	440,433	933,602	554,813	1,069,349
	\$26,718,839	\$29,271,968	W33,657,721	W33,528,112
(Liabilities)				
Deposits	\$ 811,815	\$ 727,017	W 1,022,643	W 832,726
Call money	278,496	35,259	350,821	40,385
Bonds sold under repurchase agreement	191,232	239,893	240,895	274,774
Borrowings	13,292,989	13,599,908	16,745,178	15,577,334
Industrial finance bonds issued	10,587,997	13,282,102	13,337,700	15,213,319
Other	1,186,005	129,539	1,494,011	148,374
	\$26,348,534	\$28,013,718	W33,191,248	W32,086,912

(*) Foreign currencies denominated other than U.S. Dollars have been converted into U.S. Dollars by using the cross exchange rate in effect on December 31, 2000 and 1999.

note22 . Operation Results of Trust Accounts:

The income statement of Trust Accounts for the years ended December 31, 2000 and 1999 are as follows:

	Millions of Won	
	2000	1999
(Revenue)		
Interest income	W 174,314	W 266,423
Gains on securities	51,420	170,897
Other	115,897	66,487
	W 341,631	W 503,807
(Expenses)		
Dividends of trust profit to beneficiaries	W 165,728	W 298,933
Commissions paid	1,616	3,899
Loss on securities	103,773	158,112
Taxes and dues	2,547	3,687
Trust fee to the Bank	17,605	26,496
Provisions for possible loan losses	40,020	3,783
Others	10,342	8,897
	W 341,631	W 503,807

note23 . Related Party Transactions:

Significant transactions with related parties during 2000 and 1999 ended December 31, 2000 and 1999 are as follows:

	Millions of Won	
	2000	1999
	Loans	
The KDB Capital Co., Ltd.	W 539,498	W 913,831
KDB Asia (HK) Ltd.	25,194	50,750
Daewoo Shipbuilding & Marine Engineering Co., Ltd.	126,329	-
	W 691,021	W 964,581

note24 . Supplemental Cash Flow Information:

Transactions not involving an inflow or outflow of cash and cash equivalents are as follows:

	Millions of Won	
	2000	1999
Decrease in Capital	W 959,800	W -
Transfer of accrued severance benefit to other account payable	112,669	-
Equity swap of loans	742,467	209,025

Balance Sheets

(Trust Accounts)

DECEMBER 31, 2000 AND 1999	2000		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

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

Statements of Operations

(Trust Accounts)

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999	2000		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

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

Notes to Financial Statements

(Trust Accounts)

DECEMBER 31, 2000 AND 1999

note 1 . 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.

Report of Independent Accountants

(Banking Accounts)

SAMIL ACCOUNTING CORPORATION

To the Board of Directors
The Korea Development Bank

PRICEWATERHOUSECOOPERS 

Samil Accounting Corporation
Hanil Group Building 21th Fl.
191 Hankangro 2 ga, Yongsanku
Seoul 140-702, KOREA
(C.P.O. Box 2170, 100-621)

We have audited the accompanying non-consolidated balance sheets of The Korea Development Bank (the "Bank") as of December 31, 2000 and 1999, and the related statements of income, disposition of accumulated deficit (appropriations of retained earnings) and cash flows for the years then ended, expressed in Korean Won. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform 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 Bank as of December 31, 2000 and 1999, and the results of its operations, the disposition of accumulated deficit (the appropriations of its retained earnings) and its cash flows for the years then ended in accordance with financial accounting standards generally accepted in the Republic of Korea.

As discussed in Note 16 to the financial statements, the Bank increased its paid-in capital through a W100,000 million cash injection and decreased its paid-in capital by W959,800 million by transferring to accumulated deficit and capital reserve

As discussed in Note 14 to the financial statements, the Bank received 377,852 shares of Samsung Life Insurance donated by the chairman of Samsung Group, to make up uncollectable debts of Samsung Motors Inc. to the Bank. The Bank wrote off the outstanding Samsung Motors loans and recorded a gain of W264,496 million from the shares of Samsung Life Insurance valued W700 thousand per share. According to the agreement between Samsung Group companies and the creditors of the Samsung Motors, Samsung Group companies agreed to make up a possible shortfall, in case the donated shares fall short of the Samsung Motors' debt.

Under the contract with Samsung Group companies, Samsung promised to sell the Samsung Life shares on behalf of the Bank by the end of 2000 and pay the cash agreed to the creditor of the Samsung Motors. Otherwise, Samsung is obliged to pay overdue interest to the creditors. However, Samsung has not complied with the contract until the balance sheet date. The ultimate effect of the related uncertainties cannot presently be determined.

As the Note 14 to the financial statements, the Bank sold non-performing loans of W3,935,457 million book value for W2,041,872 million during 2000. Gains and losses from the sale were W10,203 million and W1,903,788 million, respectively.

Without qualifying our opinion, we draw attention to Note 14 of the financial statements. The operations of the Bank have been significantly affected, and may continue to be affected for the foreseeable future, by the general adverse economic conditions in the republic of Korea and in the Asia Pacific region. Under these adverse economic conditions, certain customers of the Bank restructured loans with their creditor banks. As discussed in the notes 6 and 14 to the financial statements the Bank provided loans of W3,651,291 million on December 31, 2000 for work-out companies and Daewoo Group companies. The Bank provided W1,619,052 million for possible loan losses with regard to the above customers. Actual results of the credit loss from the loans to the customers could differ from the provisions reserved.

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

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

Samil Accounting Corporation

Seoul, Korea
January 31, 2001

Report of Independent Accountants

(Trust Accounts)

SAMIL ACCOUNTING CORPORATION



To the Board of Directors
The Korea Development Bank

Samil Accounting Corporation
Hanil Group Building 21th Fl.
191 Hankangro 2 ga, Yongsanku
Seoul 140-702, KOREA
(C.P.O. Box 2170, 100-621)

We have audited the accompanying balance sheets of The Korea Development Bank (the "Bank") Trust Accounts as of December 31, 2000 and 1999, and the related statements of income, expressed in Korean Won. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform 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 Bank Trust Accounts as of December 31, 2000 and 1999, and the results of its operations for the years then ended in accordance with the Trust Business Act and related regulations.

Without qualifying our opinion, the operations of the Bank Trust Accounts have been significantly affected, and may continue to be affected for the foreseeable future, by the general adverse economic conditions in the republic of Korea and in the Asia Pacific region. The ultimate effect of these significant uncertainties on the financial position of the Bank Trust Accounts as of the balance sheet date cannot presently be determined and accordingly, no adjustments have been made in the accompanying financial statements related to such uncertainties.

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

The accompanying financial statements are not intended to present the financial position, results of operations in accordance with the Trust Business Act and related regulations in countries and jurisdictions other than the Republic of Korea. The procedures and practices utilized to audit such financial statements may differ from those generally accepted and applied in other countries and jurisdictions. Accordingly, this report and the accompanying financial statements are not intended for use by those who are not informed about Korean Trust Business Act and related regulations in practice.

Samil Accounting Corporation

Seoul, Korea
January 31, 2001

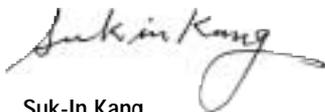
Auditor's Statement

In my capacity as duly appointed Auditor of the Korea Development Bank, I have examined the non-consolidated balance sheets of Banking accounts of the Korea Development Bank as of December 31, 1999 and 2000 and the related non-consolidated statements of income, disposition of deficit and cash flows of the Korea Development Bank for the years then ended, and I have examined the balance sheets of the Trust Accounts of the Korea Development Bank as of December 31, 1999 and 2000 and the related statements of operations for the years then ended.

My examination was made in accordance with generally accepted auditing principles in the Republic of Korea and accordingly included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

In my opinion, the aforementioned non-consolidated financial statements referred to above, together with the notes relating thereto, present fairly the financial position of Banking Accounts of the Korea Development Bank as of December 31, 1999 and 2000, and the results of its operations, disposition of deficit and cash flows for the years then ended, and the financial position of Trust Accounts of the Korea Development Bank as of December 31, 1999 and 2000, and the results of its operations for the years then ended, in conformity with Korean laws and generally accepted accounting principles in the Republic of Korea.

January 2001



Suk-In Kang
Auditor

Consolidated Balance Sheets

DECEMBER 31, 2000 AND 1999	2000		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				
Cash and due from banks (Note 4)	W 6,581,562	\$ 5,224,706	W 7,097,498	\$ 5,634,276
Trading securities (Note 5)	3,659,981	2,905,439	7,202,891	5,717,942
Investment securities (Note 6)	16,958,915	13,462,662	17,317,995	13,747,714
Loans (Note 7)	51,820,720	41,137,350	44,862,352	35,613,521
Premises and equipment, net (Note 8)	2,774,587	2,202,578	737,236	585,247
Intangible asset	239,611	190,213	60,783	48,252
Guarantee deposit	184,242	146,259	78,725	62,495
Derivative financial instruments	1,994,486	1,583,302	-	-
Trade account receivable, net	1,094,453	868,820	-	-
Prepaid expense	488,919	388,123	747,750	593,593
Others (Note 9)	4,424,486	3,512,333	2,477,645	1,966,854
Total assets	W 90,221,962	\$ 71,621,785	W 80,582,875	\$ 63,969,894
LIABILITIES AND EQUITY				
Deposits (Note 10)	W 9,460,171	\$ 7,509,860	W 7,083,133	\$ 5,622,873
Borrowings (Note 11)	26,708,935	21,202,616	22,747,562	18,057,920
Debentures (Note 12)	39,169,102	31,093,992	39,069,524	31,014,943
Provision for guarantees outstanding (Note 14)	412,262	327,270	529,718	420,511
Accrued severance benefits	384,994	305,624	111,214	88,286
Other account payable	2,032,306	1,613,325	265,158	210,493
Accrued expenses	1,629,936	1,293,908	1,686,225	1,338,592
Derivative financial instruments	2,058,781	1,634,342	-	-
Unearned income	230,914	183,309	239,872	190,420
Trade accounts payable	247,679	196,617	-	-
Other liabilities (Note 13)	2,586,712	2,053,436	1,499,848	1,190,640
Total liabilities	84,921,792	67,414,299	73,232,254	58,134,678
Commitments and Contingencies (Note 15)				
Equity:				
Paid-in capital (Note 17)	4,111,861	3,264,159	4,971,661	3,946,702
Capital surplus (Note 18)	47,313	37,559	34,754	27,589
Retained earnings (Note 19)	(36,856)	(29,258)	488,136	387,502
Capital adjustment (Note 20)	(288,730)	(229,205)	799,955	635,037
Minority interests in consolidated subsidiaries	1,466,582	1,164,231	1,056,115	838,386
Total equity	5,300,170	4,207,486	7,350,621	5,835,216
Total Liabilities, Minority Interests and Equity	W 90,221,962	\$ 71,621,785	W 80,582,875	\$ 63,969,894
<i>The accompanying notes are an integral part of these consolidated financial statements.</i>				

Consolidated Income Statements

	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)
Interest income:				
Interest on loans	W 4,217,507	\$ 3,348,025	W 4,079,509	\$ 3,238,477
Interest on due from banks	476,331	378,131	409,767	325,289
Interest on trading securities	269,934	214,284	286,189	227,188
Interest on investment securities	655,528	520,384	500,747	397,513
Other interest income	126,603	100,503	47,358	37,595
	5,745,903	4,561,327	5,323,570	4,226,062
Interest expense:				
Interest on deposits	625,195	496,305	710,782	564,247
Interest on borrowings	1,586,667	1,259,559	1,532,541	1,216,592
Interest on bond payable	3,393,589	2,693,966	3,334,418	2,646,994
Other interest expenses	100,466	79,754	100,079	79,447
	5,705,917	4,529,584	5,677,820	4,507,280
Net interest income (loss)	39,986	31,743	(354,250)	(281,218)
Provision for possible loan losses	406,524	322,715	863,501	685,481
Net interest loss after provisioning for possible loan losses	(366,538)	(290,972)	(1,217,751)	(966,699)
Non-interest revenue:				
Fees and commissions	618,324	490,850	187,575	148,905
Gains from trading securities	461,983	366,740	1,210,245	960,741
Gains from derivative financial instruments (Note 16)	2,593,241	2,058,618	321,056	254,867
Gains on foreign currency transaction	1,152,297	914,739	1,521,719	1,208,001
Others (Note 21)	1,314,783	1,043,727	973,086	772,473
	6,140,628	4,874,674	4,213,681	3,344,987
Non-interest expense:				
Fees and commissions	78,290	62,150	42,991	34,128
Losses from trading securities	1,148,129	911,430	297,317	236,022
Losses from derivative financial instruments (Note 16)	2,940,856	2,334,569	240,266	190,733
Losses on foreign currency transaction	646,468	513,192	1,483,225	1,177,443
General and administrative expenses (Note 23)	550,856	437,291	265,107	210,452
Other (Note 21)	465,597	369,610	1,016,434	806,886
	5,830,196	4,628,242	3,345,340	2,655,664
Operating income	(56,106)	(44,540)	(349,410)	(277,376)
Non-operating income(loss) (Note 22)	(1,752,973)	(1,391,580)	1,059,871	841,368
Extraordinary income(loss), net	260,748	206,993	(64,361)	(51,092)
Income(loss) before income taxes	(1,548,331)	(1,229,127)	646,100	512,900
Income taxes (Note 24)	19,209	15,249	99,979	79,367
Net income(loss) before minority interest in earnings of consolidated subsidiaries, net	(1,567,540)	(1,244,376)	546,121	433,533
Minority interest in earnings of consolidated subsidiaries, net	167,558	133,015	(204,604)	(162,423)
Net income(loss)	W (1,399,982)	\$ (1,111,361)	W 341,517	\$ 271,110

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

Consolidated Statements of Changes in Shareholders' Equity

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999	2000		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)
₩ . Capital stock				
Balance, beginning of the year	W 4,971,661	\$ 3,946,702	W 4,171,661	\$ 3,311,630
Paid in capital increase	100,000	79,384	800,000	635,072
Transferred to capital surplus	(959,800)	(761,927)	-	-
Balance, end of the year	4,111,861	3,264,159	4,971,661	3,946,702
₩- Consolidated capital surplus				
Balance, beginning of the year	34,754	27,589	290,105	230,297
Transferred from capital stock	959,800	761,927	-	-
Offsetting accumulated deficit	(950,181)	(754,291)	-	-
Changes in capital surplus of equity method investee	2,940	2,334	-	-
Reclassification to capital adjustment	-	-	(260,333)	(206,662)
Changes of equity ownership ratio	-	-	4,981	3,954
Balance, end of the year	47,313	37,559	34,754	27,589
₩†. Consolidated retained earnings				
Balance, beginning of the year	488,136	387,502	(90,729)	(72,024)
Net income (loss)	(1,399,982)	(1,111,361)	341,517	271,110
Offsetting accumulated deficit	950,181	754,291	-	-
Changes of equity ownership ratio	(46,098)	(36,594)	(4,770)	(3,787)
Cummulative effect of accounting changes	(8,746)	(6,943)	245,278	194,711
Other	(20,347)	(16,152)	(3,160)	(2,508)
Balance, end of the year	(36,856)	(29,257)	488,136	387,502
₩‡. Consolidated capital adjustment				
Balance, beginning of the year	799,955	635,036	198,841	157,848
Changes in capital surplus of equity method investee	(2,939)	(2,333)	-	-
Changes in the year	(1,085,746)	(861,908)	340,781	270,525
Reclassification from capital surplus	-	-	260,333	206,663
Balance, end of the year	(288,730)	(229,205)	799,955	635,036
₩ . Minority interest equity				
Balance, beginning of the year	1,056,114	838,385	48,532	38,526
Changes in the year	410,468	325,846	1,007,582	799,859
Balance, end of the year	1,466,582	1,164,231	1,056,114	838,385
Total shareholders' equity	W 5,300,170	\$ 4,207,487	W 7,350,620	\$ 5,835,214

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

Consolidated Statements of Cash Flows

FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999	2000		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)
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	W (1,399,982)	\$ (1,111,361)	W 341,517	\$ 271,110
Adjustments to reconcile net income to net cash provided by operating activities:				
Loss (Gain) on disposal of loans, net	1,823,413	1,447,498	(166,314)	(132,027)
Loss (Gain) on trading securities, net	705,606	560,138	(899,023)	(713,680)
Gain on investment securities, net	(121,415)	(96,384)	(902,546)	(716,477)
Bad debt expenses	12,806	10,166	941,567	747,453
Depreciation	117,170	93,014	17,408	13,819
Loss (Gain) on foreign currency translation, net	(505,829)	(401,547)	15,984	12,689
Loss (Gain) from derivative financial instrument, net	339,718	269,682	-	-
Increase (Decrease) in other receivables	(2,027,442)	(1,609,464)	873,303	693,263
Decrease in prepaid expenses	286,330	227,300	611,861	485,720
Decrease in accrued expense	(150,751)	(119,672)	(655,335)	(520,231)
Payment of severance benefits	(63,747)	(50,605)	(18,439)	(14,638)
Others, net	520,272	413,013	10,587	8,404
Net cash provided by operating activities	(463,851)	(368,223)	170,570	135,405
CASH FLOWS FROM INVESTING ACTIVITIES				
Decrease in trading securities	2,808,615	2,229,590	4,267,472	3,387,689
Decrease (Increase) in due from banks	1,171,840	930,253	(1,965,660)	(1,560,419)
Disposal of investment securities	27,016,320	21,446,630	8,001,643	6,352,023
Increase (Decrease) in loans	(9,305,153)	(7,386,801)	4,561,923	3,621,436
Acquisition of investment securities	(27,004,425)	(21,437,187)	(8,335,804)	(6,617,293)
Increase in premises and equipment	(554,358)	(440,071)	(43,044)	(34,170)
Others, net	244,327	193,956	945,440	750,528
Net cash provided by investing activities	(5,622,834)	(4,463,630)	7,431,970	5,899,794
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (Decrease) in deposits	2,439,271	1,936,390	(2,658,478)	(2,110,406)
Increase in borrowings	63,768,706	50,622,137	4,503,278	3,574,881
Decrease in bonds issued	(119,619)	(94,958)	(1,795,797)	(1,425,575)
Decrease in borrowings	(60,613,203)	(48,117,173)	(9,650,126)	(7,660,654)
Increase in paid-in capital	100,000	79,384	800,000	635,072
Others, net	520,618	413,287	1,198,448	951,376
Net cash used in financing activities	6,095,773	4,839,067	(7,602,675)	(6,035,306)
Increase in cash due to the addition of consolidated company	20,076	15,937	-	-
Net increase in cash	29,164	23,151	(135)	(107)
Cash, beginning of the year	80,348	63,783	80,483	63,890
Cash, end of the year (Note 4)	W 109,512	\$ 86,934	W 80,348	\$ 63,783

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

Notes to Consolidated Financial Statements

DECEMBER 31, 2000 AND 1999

note 1 . The Consolidated Companies:

The accompanying consolidated financial statements include the banking and trust accounts, subject to guaranteed fixed rate of return or principal repayment, of the Korea Development Bank (the "Bank") and its consolidated subsidiaries. General information of the Bank and its consolidated subsidiaries, and equity-method investees is described below.

The Bank -

The Korea Development Bank was established in 1954 in accordance with the Korea Development Bank Act for the purpose of supplying and managing major industrial

capital to develop Korean industry. The Bank operates through 35 local branches and 5 overseas branches as of December 31, 2000. The Bank is engaged in the banking business under the Korea Development Bank Act and in trust business according to the Trust Business Act and other related regulations.

The Korea Development Bank Act prescribes that Korean Government owns the entire capital of the Bank.

Consolidated Subsidiaries -

Summarized information regarding the consolidated subsidiaries as of December 31, 2000 and 1999 is as follows:

	Millions of Won		Percentage (%)	
	2000	1999	2000.12.31	
Domestic subsidiaries				
KDB Capital Corp.	W 340,160	W 378,014	76.6%	
Daewoo Securities Co., Ltd.	232,548	-	25.0%	
Daewoo Shipping & Marine Engineering Co., Ltd.	390,368	-	40.8%	
Seoul Debt Restructuring Fund	262,800	262,800	43.8%	
Arirang Restructuring Fund	145,800	145,800	43.7%	
Mukoonghwa Restructuring Fund	145,700	145,700	43.7%	
Sanub Finance Corp.	-	20,000	-	
Others	7,236	-	-	
	W 1,524,612	W 952,314		
Foreign subsidiaries				
KDB Asia (HK) Ltd.	US\$ 60	US\$ 60	100.0%	
KDB Ireland Ltd.	US\$ 20	US\$ 20	100.0%	
KDB Lease (Japan) Ltd.	JP ¥ -	JP ¥ 650	-	
Metropolitan Industrial Leasing Co., Ltd.	THB 98	THB 98	49.0%	
Daewoo Bank (Hungary)	HUF 4,687	-	100.0%	
Daewoo Bank (Romania)	Lei 75,000	-	99.9%	
Others	US\$ 55	US\$ 10	-	
Won Equivalent	W 212,398	W 118,902		

The brief explanation of the primary business activities of the consolidated subsidiaries is as follows:

Subsidiaries	Incorporated date	Outstanding Capital (in Millions)				Major business
		2000		1999		
KDB Capital Corp.	December 1972	W	458,704	W	457,864	Leasing industrial machinery, equipment, aircrafts, ship, automobiles and investing in and providing finance to venture capital companies.
Restructuring Funds	September 1998	W	1,266,700	W	1,266,700	Financing and investing for restructuring of domestic companies.
Daewoo Securities Co., Ltd.	September 1970	W	842,300			Trading, subscribing and selling securities.
Daewoo Shipping & Marine Engineering Co., Ltd.	October 2000	W	991,954			Manufacturing naval ships, submarines, and other special purpose vessels.
KDB Asia (HK) Ltd.	January 1986	US\$	60	US\$	60	Providing finance to Korean companies, Investment in securities, Conducting international securities operation.
KDB Ireland Ltd.	June 1997	US\$	20	US\$	20	Supporting to introduce commercial loan for Korean companies. Investing in securities

The following companies, which were consolidated in 1999, are excluded from consolidation in 2000.

Companies	Reason of Exclusion
KDB Lease (Japan) Ltd.	Under liquidation
Sanub Finance Corp.	Disposal of its stock

note2 . Summary of Significant Accounting Policies:

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

Basis of Consolidated Financial Statement Presentation -

The official accounting records of the domestic and overseas consolidated subsidiaries, on which the Korean language financial statements are based, are maintained in accordance with generally accepted accounting principles in the Republic of Korea and the laws and regulations of the foreign countries, respectively. The

accompanying consolidated financial statements are prepared in conformity with financial accounting standards generally accepted in the Republic of Korea.

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

The preparation of consolidated financial statements in conformity with financial accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the 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.

Notes to Consolidated Financial Statements

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Financial statements for the twelve months ended December 31, 2000 were used for consolidation of KDB Capital Corp., Daewoo Securities Co., Ltd., Seoul Debt Restructuring Fund, Arirang Restructuring Fund and Mukoonghwa Restructuring Fund which have a fiscal year end of March 31.

Principles of Consolidation -

The accompanying consolidated financial statements include the accounts of the Bank and certain majority-owned domestic and foreign subsidiaries as presented in Note 1. All significant intercompany transactions and balances have been eliminated on consolidation.

Recognition of Interest Income -

The Bank and its subsidiaries recognize interest income on loans and debt securities on an accrual basis. However, interest income on delinquent and dishonored loans, other than those subject to security deposits and guaranteed by financial institutions, is recognized on a cash basis. Such unaccrued interest income of the Bank as of December 31, 2000 and 1999 was W153,018 million and W166,573 million, respectively.

Provision for Possible Loan Losses -

The Bank provides for possible loan losses based on borrowers' future debt servicing ability (forward looking criteria) as determined by a credit rating model developed by the Bank. This credit rating model includes the financial and non-financial factors of borrowers and classifies borrowers' credit risk. Provisions are determined by applying the following minimum percentages to the various credit risk ratings:

Loan classifications	Provision percentages
Normal	0.5%
Special attention	2% or more
Substandard	20% or more
Doubtful	50% or more
Loss	100%

The consolidated subsidiary, Daewoo Shipping & Marine Engineering Co., Ltd. provides an allowance for doubtful accounts based on estimated loss from bad debts in accordance with the agreement of business work-out, estimated based on analysis on collectability of trade receivables, loans and other receivables.

Securities -

Marketable securities held for obtaining short-term transaction gains are included in trading securities. Those securities not included in trading securities are classified as investment securities. Securities which have a fair value different from their acquisition cost are carried in accordance with the following guidelines:

- Trading securities

The initial cost of trading securities is determined by the moving average method. Trading securities are subsequently carried at their market values. Unrealized gains and losses on trading securities are charged to current operations.

- Investment securities

Marketable securities held for investment purposes are carried at their market values. Unrealized gains and losses on marketable investment securities are reported as a capital adjustment in shareholders' equity.

Investment securities which allow the Bank significant influence over the investees are valued using the equity method of accounting. The Bank considers that it has significant influence on investees, in which the Bank holds more than 15% of interest. However, the Bank does not apply equity method for the following investments.

- ; /Investees which are owned by Korean Government and Government invested companies
- ; /Total assets of investees are less than 7,000 million won
- ; /Investees under court receivership or bankruptcy
- ; /Investees under process to be sold-out

Under the equity method, the Bank records changes in its proportionate ownership of the book value of the investees as current operations, capital adjustments or adjustments to retained earnings, depending on the nature of the underlying changes in the book value of the investees.

Unmarketable equity securities and debt securities held to maturity are stated at cost. If market value or net book value declines significantly compared to acquisition cost and is not expected to recover, the acquisition cost is adjusted to the market value or net book value. In such cases, the difference between the carrying amount and the revalued amount is charged to current operations.

Valuation on inventories -

Inventories are stated at the lower of cost or market value, cost being determined by the specific identification method for goods in process and goods in transit, and moving average method for raw materials and supplies.

Lease Transactions -

KDB Capital Corp. accounts for lease transactions as operating or financing leases, depending upon the terms of the underlying lease agreements. In general, leases are recognized as financing leases when ownership title transfers after expiration of non-cancellable leases or when a bargain purchase option exists.

Under the financing lease method, aggregate lease rentals are recorded as financing lease receivables, net of unearned interest, based on the excess of the gross rental revenue over the cost of the leased assets. Unearned interest is recognized as interest income over the lease term using the effective interest method.

Operating leases are reported as premises and equipment stated at cost, and depreciated using the straight-line method over the lease term. The related lease rental income is recognized as revenue on an accrual basis over the lease term.

Premises and Equipment and Related Depreciation -

Premises and equipment used for business purposes are recorded at cost, except for those assets subject to upward revaluation in accordance with the Korean Asset Revaluation Law. Such revaluation presents facilities and buildings at their depreciated replacement cost and land at the prevailing market price, as of the effective date of revaluation. The revaluation increment, net of a 3% tax, is credited to capital surplus. Previously recorded accumulated depreciation was eliminated and a new basis for depreciation of the revalued assets was established.

Depreciation is computed using the declining balance method, except for buildings and structures, which are depreciated using the straight-line method, based on the estimated useful lives of the assets as described below:

	Estimated useful lives
Buildings	8 ~ 40 years
Structures	4 ~ 40
Machinery	4 ~ 11
Vehicles	4 ~ 10
Others	4 ~ 20

Routine maintenance and repairs are charged to operations when incurred. Betterments and renewals enhancing the value or extending the useful life of the facilities involved are capitalized.

Intangible Assets -

Intangible assets are stated at cost, net of accumulated amortization. Amortization of these intangibles is computed using the straight-line method over a period of 5 ~ 20 years.

Present Value Discounts -

When the Bank disposes of foreclosed land and buildings under long-term installment contracts, the resulting long-term installment account receivables are valued at the net present value of future cash flows, calculated using the Bank's one year time deposit interest rate. 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.

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 provisions for possible loan losses, and the remaining difference is recognized as bad debt expenses in the year incurred.

Foreign Currency Translation -

Assets and liabilities denominated in foreign currencies are translated into Korean Won at basic exchange rates (1,259.7 Won/US\$) on the balance sheet date. Resulting exchange gains or losses are reflected in current operations.

Accrued Severance Benefits -

Employees and directors with one or more years of service are entitled to receive a lump-sum payment upon termination of their employment with the Bank, based on their length of service and rate of pay at the time of termination. Accrued severance benefits represent the amount which would be payable assuming all eligible employees were to terminate their employment as of the balance sheet date.

On December 31, 2000 the Bank paid accrued severance benefits to employees and directors except for employees in overseas branches, and others. Actual payments of severance benefits for the years ended 2000 and 1999 amounted to W137,323 million (including W131,569 million of early payment of severance benefits) and W34,563 million, respectively. Early payment of severance benefits of W112,669 million is recorded in other account payable as of December 31, 2000.

Domestic subsidiaries have fully accrued estimated severance benefits in accordance with the relevant severance benefit laws and regulations in Korea. Overseas subsidiaries accrue employees' retirement benefits according to the local laws and regulations in the jurisdictions in which they operate.

Accrued severance benefits are funded through a group severance insurance plan. The Bank and domestic subsidiaries account for the amounts funded under the plan as cash and due from banks (see Note 4). No amount of the Bank was funded for 2000 due to the early payment of the severance benefits.

Provision For Possible Guarantee Losses -

The Bank provides a provision for possible losses on guarantees outstanding as determined based on a credit

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risk rating of the companies for which guarantees are provided. The Bank provides a provision of 20% or more of guaranteed amounts for companies classified as "substandard," 50% or more for "doubtful" and 100% for "loss." The allowance is shown in the liability section.

Deferred Income Taxes -

The Bank records deferred income taxes which arises from temporary differences between amount reported for financial reporting purposes and income tax purposes. Income tax expenses comprises taxes payable for the period and the change in deferred tax assets and liabilities for the period.

Bonds on Repurchase Agreements -

Bonds purchased or sold on repurchase agreements are included in loans and borrowings, respectively. The difference between sale and repurchase price is treated as interest and accrued evenly over the life of the agreements.

Translation of Foreign Currency Financial Statements -

Accounts and records of the overseas subsidiaries are maintained in foreign currencies. For presentation in the accompanying financial statements, the financial statements of the overseas subsidiaries have been translated at exchange rates as of the balance sheet date for balance sheet.

Derivative Financial Instruments -

Derivative financial instruments for trading purposes are stated at fair value on the balance sheet date.

The Bank adopted the revised hedging accounting for derivatives from 2000. Derivative financial instruments for fair value hedges are stated at market. The gains and losses on the hedging instruments, as well as the related loss or gain on the hedged items, are recognized in current operations in the same accounting period.

In 1999, valuation gains and losses from derivatives for hedging purposes are recognized in a manner consistent with the accounting treatment appropriate for valuation

gains and losses of underlying hedged transactions. The hedging instruments are valued at fair value when underlying hedged transactions are valued at market and resulting unrealized valuation gains or losses are recognized currently.

Statement of cash flows -

On the statement of cash flows, the Bank and subsidiaries recorded the net cash inflows and outflows for loans, deposits, trading securities and others due to their frequent turnover and short-term maturity.

Reclassification of 1999 Accounts -

Certain accounts in the 1999 annual financial statements have been reclassified. These reclassifications and restatements have no effect on previously reported net income or retained earnings for 1999.

note3 . United States Dollar Amounts:

The Bank operates primarily in Korea 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. All 1999 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. Dollars 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.

note4 . Cash and Due from Banks:

Cash and due from banks at December 31, 2000 and 1999 comprise the following:

	Annual Interest Rate (%)		Millions of Won	
	2000.12.31		2000	1999
Cash on hand in Won	-	W	102,233	W 77,776
Cash on hand in foreign currency	-		7,279	2,572
Due from banks in Won	0.0 - 8.6		1,536,134	347,288
Due from banks in foreign currency	2.1 - 8.0		4,935,916	6,708,311
			6,581,562	7,135,947
Less: Allowance for doubtful accounts			-	(38,449)
		W	6,581,562	W 7,097,498

Due from banks in Won at December 31, 2000 and 1999 are summarized as follows:

	Annual Interest Rate (%)	Millions of Won	
	2000.12.31	2000	1999
The Bank of Korea	-	W 172,641	W 65,706
Others	0.0 - 8.6	1,363,493	281,582
		W 1,536,134	W 347,288

Due from banks in foreign currency at December 31, 2000 and 1999 are summarized as follows:

	Annual Interest Rate (%)	Millions of Won	
	2000.12.31	2000	1999
The Bank of Korea	5.78 - 7.84	W 10,767	W 25,555
The Export-Import Bank of Korea	8	2,869,031	2,608,707
Kookmin Bank	7.1 - 7.8	567,071	662,228
Shinhan Bank	7.1 - 7.4	177,617	293,174
KBC Bank	7	111,232	-
Others	2.1 - 8.0	1,200,198	3,118,647
		W 4,935,916	W 6,708,311

Restricted deposits included in due from banks at December 31, 2000 are as follows:

	Millions of Won
Reserve deposits with the Bank of Korea	W 172,641
Deposits for severance payment	24,426
Deposits from customers and deposits with KSFC	778,195
China Construction Bank	4,544
Hanvit Bank	21,893
Housing & Commercial Bank	21,500
Kookmin Bank	7,323
Chase Manhattan Bank, New York and others	17,655
Korea First Bank and others	115,975
	W 1,164,152

Reserve deposits with the Bank of Korea represent amounts required under the Banking Act for the payment of deposits. The deposits for severance payment are made under a group severance insurance plan, and their withdrawal is restricted to the actual payment of severance benefits. Reserve deposits with China Construction Bank and Bank of Communications also represent amounts required under the related banking regulations of those countries. Deposits with Hanvit Bank, Housing & Commercial Bank, Kookmin Bank, Chase Manhattan Bank, New York and others and Korea First Bank and others are pledged as collateral.

The maturity of amounts due from banks at December 31, 2000 are as follows (in millions of Won):

Matured on or before December 31	Due from banks in Won	Due from banks in foreign currency	Total
2001	W 1,502,621	W 4,786,137	W 6,288,758
2002	26,190	38,925	65,115
2003	-	-	-
2004	-	28,973	28,973
2005	7,323	62,985	70,308
Thereafter	-	18,896	18,896
	W 1,536,134	W 4,935,916	W 6,472,050

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note5 . Trading Securities:

Trading securities held by the Bank and its subsidiaries at December 31, 2000 and 1999 comprise the following:

	The Bank		Subsidiaries		Total	
	2000	1999	2000	1999	2000	1999
Marketable equity securities	W 236,613	W 638,243	W 151,160	W 581,210	W 387,773	W1,219,453
Government and public bonds	89,919	114,891	140,251	13,570	230,170	128,461
Corporate bonds	152,034	253,221	891,872	872,781	1,043,906	1,126,002
Beneficiary certificates	452,276	3,285,139	541,234	398,664	993,510	3,683,803
Securities denominated in foreign currency	731,915	501,730	116,788	117,583	848,703	425,859
Others	78,061	194,439	77,858	231,420	155,919	619,313
	W1,740,818	W4,987,663	W1,919,163	W2,215,228	W3,659,981	W7,202,891

Trading securities of the Bank as of December 31, 2000 and 1999 comprise the following:

	Annual Interest Rate (%)		Millions of Won	
	2000.12.31		2000	1999
Marketable equity securities	-	W	236,613	W 638,243
Government and public bonds	7.0 - 9.3		89,919	114,891
Corporate bonds	1.0 - 11.0		152,034	253,221
Beneficiary certificates	6.0 - 9.0		452,276	3,285,139
Debt securities in foreign currency	0.0 - 13.6		731,915	501,730
Others	14.0		78,061	194,439
		W	1,740,818	W 4,987,663

Par value, acquisition cost and fair value of trading debt securities of the Bank as of December 31, 2000 and 1999 are as follows (millions of won):

	Par Value		Acquisition Cost		Fair Value	
Government and public bonds	W	89,000	W	89,986	W	89,919
Corporate bonds		153,139		149,819		152,034
Securities in foreign currency		776,884		733,071		731,915
Total in 2000	W	1,019,023	W	972,876	W	973,868
Total in 1999	W	911,788	W	880,737	W	869,842

note6 . Investment Securities:

Investment securities held by the Bank and its subsidiaries at December 31, 2000 and 1999 comprise the following (in millions of Won):

	The Bank		Subsidiaries		Total	
	2000	1999	2000	1999	2000	1999
Equity investment	W 7,237,520	W 9,767,583	W 617,312	W 500,298	W 7,854,832	W10,267,881
Government and public bonds	2,904,267	1,776,003	7,737	61	2,912,004	1,776,064
Corporate bonds	1,857,064	974,570	95,257	66,926	1,952,321	1,041,496
Investment securities denominated in foreign currency	1,470,362	1,449,500	161,610	93,734	1,631,972	1,543,234
Others	2,591,817	2,688,107	15,969	1,213	2,607,786	2,689,319
	W16,061,030	W16,655,763	W 897,885	W 662,232	W 16,958,915	W17,317,994

Equity investments of the Bank as of December 31, 2000 and 1999 comprise the following (in millions of Won):

	Ownership(%)		Acquisition Cost		Book Value		Fair Value or Net Book Value	
	2000.12.31		2000	1999	2000	1999	2000	1999
Investments using the equity method:								
KDB Bank (UK) Ltd.(*)	100.00	W	37,666	W 37,666	W 46,564	W 46,564	W 46,564	W 46,564
Daewoo Heavy Industries & Machinery Ltd.	21.91		173,078	-	173,078	-	133,998	-
Korea General Chemical Corp.(*)	98.75		94,082	94,082	107,573	122,271	107,573	122,271
Hankang Restructuring Fund	23.01		145,700	145,700	137,411	194,235	137,411	179,211
Korea Land Development Corp.	-		-	1,161,904	-	1,048,571	-	758,783
Korea National Housing Corp.	-		-	1,300,618	-	1,434,114	-	1,444,691
Others			146,620	339,703	177,535	929,084	186,442	919,744
			W 597,146	W3,079,673	W 642,161	W3,739,744	W 611,988	W3,471,264
Investments not using the equity method:								
Samsung Life Insurance	1.89	W	264,496	W -	W 264,496	W -	W 812	W -
Industrial Bank of Korea	2.29		400,000	400,000	365,928	283,008	277,001	283,008
Korea Highway Corp	14.60		1,430,100	1,430,100	1,430,184	1,430,184	1,486,444	1,430,184
Korea National Housing Corp.	5.74		1,300,618	-	1,300,618	-	1,298,492	-
Korea Land Development Corp.	28.30		1,161,904	-	1,191,329	-	840,106	-
Korea Heavy Industry & Construction Co., Ltd.	31.30		552,947	-	208,410	-	208,410	-
Korea Water Resources Corp.	9.28		671,307	671,307	671,307	671,307	584,218	312,693
Korea Tobacco & Ginseng Corp.	6.90		220,739	260,000	250,316	389,496	250,316	389,496
The Export-Import Bank of Korea	5.74		200,000	200,000	200,000	200,000	171,274	126,633
Others			1,141,593	2,298,079	712,771	3,053,844	662,916	2,926,542
			7,343,704	5,259,486	6,595,359	6,027,839	5,779,989	5,468,556
			W7,940,850	W8,339,159	W7,237,520	W9,767,583	W6,391,977	W8,939,820

(*) The investees are under liquidation and excluded from consolidation in 2000 and 1999 due to under liquidation.

Investment securities held by the Bank using the equity method at December 31, 2000 and 1999 are summarized as follows (in millions of Won):

	Beginning Book Value	Acquisition (Disposition)	Dividends	Valuation Gain or Loss(*)	Capital Adjustment	Ending Book Value
KDB Bank (UK) Ltd.	W 46,564	W -	W -	W -	W -	W 46,564
Korea Asset Management Corp.	42,448	-	-	919	-	43,367
Daewoo Heavy Industries & Construction Co., Ltd.	-	173,078	-	-	-	173,078
Korea General Chemical Corp.	135,253	-	15,609	(12,071)	-	107,573
Korea Appraisal Board	19,493	-	92	(5,302)	-	14,099
Hankang Restructuring Fund	194,235	-	24,186	(32,638)	-	137,411
Others	834,138	(723,212)	7,490	16,353	5,916	120,069
Total in 2000	1,272,131	(550,134)	47,377	(32,739)	5,916	642,161
Total in 1999	W 3,662,968	W 101,358	W (16,467)	W 168,461	W 40,263	W3,956,583

The equity method adjustments, which comprise the differences between the initial purchase price and the Bank's initial proportionate ownership of net book value of investees at the time of purchase, are amortized over 5 years using the straight-line method. The accumulated unamortized equity method adjustments of the Bank are as follows (millions of won):

	Equity Method Adjustment	
	Debit	Credit
Beginning balance	W 35,876	W 26,225
Increased(Decreased)	223,025	(13,242)
Amortized	(13,635)	(2,248)
Ending balance	W 245,266	W 10,735

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Investments in debt securities available-for-sale of the Bank at December 31, 2000 and 1999 comprise the following (in millions of Won):

	Par value	Acquisition cost	Market (carrying) value
Government and public bonds	W 205,676	W 205,542	W 213,518
Corporate bonds	1,813,359	1,729,750	1,753,927
Beneficiary certificates	293,380	293,380	306,732
Investment securities denominated in foreign currency	802,156	584,520	454,348
Others	1,857,452	1,871,121	1,820,603
Total in 2000	W 4,972,023	W 4,684,313	W 4,549,128
Total in 1999	W 4,678,326	W 4,326,710	W 4,145,372

Investments in debt securities held-to-maturity of the Bank at December 31, 2000 and 1999 comprise the following (in millions of Won):

	Par value	Acquisition cost	Book value
Government and public bonds	W 2,690,749	W 2,690,749	W 2,690,749
Corporate Bond	107,000	102,374	103,137
Investment securities denominated in foreign currency	1,025,237	1,019,119	1,016,014
Others	470,511	463,509	464,482
Total in 2000	4,293,497	4,275,751	4,274,382
Total in 1999	W 2,756,206	W 2,611,390	W 2,742,808

Investment securities denominated in foreign currency of the Bank at December 31, 2000 and 1999 comprise the following:

	Foreign currency(In thousands)				Millions of Won	
	2000		1999		2000	1999
Securities available-for-sale	BEF	744	BEF	736	W 22	W 21
	CHF	2,450	CHF	21,077	1,916	15,119
	DEM	9,901	DEM	22,308	6,010	13,123
	IDR	-	IDR	3,906	-	63
	JPY	274,689	JPY	1,290,469	3,025	14,477
	MYR	-	MYR	16,684	-	5,029
	THB	-	THB	31,864	-	976
	USD	351,969	USD	465,853	443,375	533,704
				454,348	W 582,512	
Securities held-to-maturity	CHF	1,125	CHF	8,211	880	W 5,890
	DEM	-	DEM	5,061	-	2,977
	JPY	12,212,413	JPY	11,676,264	134,522	130,989
	USD	699,064	USD	634,828	880,612	727,132
				W1,016,014	W 866,988	

note 7. Loans:

Loans at December 31, 1999 and 2000 comprise the following (in millions of Won):

	Millions of Won	
	2000	1999
Loans in Won	W 23,343,473	W 20,479,604
Loans in foreign currency	19,077,862	19,988,214
Notes purchased	1,205,496	859,924
Bills purchased	2,651,286	1,697,674
Advances for customers	591,586	659,220
Bonds purchased under repurchase agreements	209,376	36,306
Call loans	1,001,342	437,833
Domestic import usance bills	1,967,048	1,381,661
Debentures accepted by private subscription	2,666,741	1,281,813
Others	2,949,523	2,291,325
	55,663,733	49,113,574
Less : Provision for possible loan losses	(3,409,680)	(3,756,802)
Present value discount account	(433,333)	(494,420)
	W 51,820,720	W 44,862,352

Loans in Won and foreign currency of the Bank and its subsidiaries comprise the following (in millions of Won):

	The Bank		Subsidiaries		Total	
	2000	1999	2000	1999	2000	1999
Loans in Won						
Loans for working capital	W 9,144,539	W 6,059,628	W 111,671	W 315,179	W 9,256,210	W 6,374,807
Loans for facilities	14,305,997	14,091,045	251,929	271,603	14,577,926	14,362,648
Inter-company loans	(470,663)	(257,851)	-	-	(470,663)	(257,851)
	W22,979,873	W19,892,822	W 363,600	W 586,782	W 23,343,473	W 20,479,604
Loans in foreign currency						
Loans for working capital	W 2,999,912	W 2,788,097	W 340,587	W 300,167	W 3,340,499	W 3,088,264
Loans for facilities	16,482,161	17,897,729	381,345	471,269	16,863,506	18,368,998
Inter-company loans	(1,049,003)	(1,456,535)	(77,140)	(12,513)	(1,126,143)	(1,469,048)
	W18,433,070	W19,229,291	W 644,792	W 758,923	W 19,077,862	W 19,988,214

The loans in Won and foreign currency of the Bank at December 31, 2000 are as follows (in millions of Won):

Matured in	Loans in Won		Loans in foreign currency		Total
	Loans for working capital	Loans for facilities	Loans for working capital	Loans for facilities	
2001	W 5,702,497	W 2,033,507	W 1,539,077	W 2,871,725	W12,146,806
2002	1,335,058	2,495,402	606,243	2,548,626	6,985,329
2003	259,705	2,525,716	391,532	2,307,610	5,484,563
2004	355,624	1,958,764	214,132	1,832,243	4,360,763
2005	824,773	1,817,727	133,931	2,467,148	5,243,579
Thereafter	666,882	3,474,881	114,997	4,454,809	8,711,569
	W 9,144,539	W14,305,997	W 2,999,912	W16,482,161	W42,932,609

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The Bank's restructured loans for 1999 and 2000 due to court receivership, court mediation or other financial restructuring process are as follows:

	Millions of Won	
	2000	1999
Changes in contractual terms	W 2,016,184	W 1,352,227
Exemption	-	418,889
Conversion to equity investment	742,467	209,025
Conversion to convertible bonds	117,031	592,243
Total	W 2,875,682	W 2,572,384

When the contractual terms (i.e., principal, interest rate, or maturity) of impaired loans are restructured, the Bank adjusts the carrying amount of the impaired loans to the present value determined based on the restructured terms. The Bank recognizes losses arising from the restructuring of the impaired loans as incurred.

Certain customers of the Bank and its subsidiaries are in the process of restructuring loans with their creditor banks. The Bank and its subsidiaries' exposure as of December 31, 2000 to Daewoo group companies and customers under work-out programs are as follows:

	Millions of Won
Loans	W 5,074,913
Provision for possible loss	2,714,424

note8 . Premises and Equipment:

Premises and equipment at December 31, 2000 and 1999 comprise the following:

	Millions of Won					
	Acquisition cost or revaluation		Accumulated depreciation		Net book value	
	2000	1999	2000	1999	2000	1999
Land	W 1,124,309	W 455,482	W -	W -	W 1,124,309	W 455,482
Buildings and structures	1,140,662	196,488	-	-	1,014,673	173,921
Machinery	483,129	47,219	125,989	22,567	315,890	13,209
Construction in progress	240,785	87,726	167,239	34,010	240,785	87,726
Others	354,208	25,827	-	-	78,930	6,897
			275,278	18,930		
	W 3,343,093	W 812,742	W 568,506	W 75,507	W 2,774,587	W 737,235

In accordance with the Asset Revaluation Law, on July 1, 1998, the Bank revalued a substantial portion of its land and premises used for business purposes, based primarily on current replacement costs. The revaluation increment of W679,486 million, net of a revaluation tax payment of W11,288 million, was credited to capital surplus and used to offset accumulated deficit as approved by the Korean Government on February 27, 1999.

At December 31, 2000, book value and the government-posted prices of domestic land of the Bank and its subsidiaries are W1,122,613 million and W761,900 million, respectively.

The Bank's premises and equipment, other than construction in progress, are covered by insurance policies against fire and other casualty losses. Automotive equipment is covered by a legal and general insurance policy.

note9. Other Assets:

Other Assets at December 31, 2000 and 1999 comprise the following:

	Millions of Won	
	2000	1999
Other accounts receivable	W 2,368,997	W 157,668
Accrued income	1,151,130	1,032,391
Deferred income tax debits	251,038	238,267
Operating lease assets	910,916	1,703,140
Inventories	121,320	-
Others	921,074	935,260
	5,724,475	4,066,726
Allowance for bad debt	(570,833)	(456,560)
Present value discount	(59,478)	(4,761)
Depreciation	(669,678)	(1,127,760)
	W 4,424,486	W 2,477,645

note10. Deposits:

Deposits at December 31, 2000 and 1999 comprise the following:

	Annual interest rate (%)	Millions of Won	
		2000	1999
Won currency deposits :			
Demand deposits	0.0 - 1.0	W 130,907	W 180,168
Time & savings deposits	2.0 - 11.5	7,497,851	4,017,694
		7,628,758	4,197,862
Foreign currency deposits :			
Checking deposits	-	95,322	5,289
Passbook deposits	0.0 - 2.2	31,114	71,004
Time deposits	0.1 - 7.9	312,117	235,746
Temporary deposits	-	1,109	914
Off-shore deposits	-	-	32,916
Others	-	2,776	-
		442,438	345,869
Negotiable certificates of deposits	5.75 - 6.75	1,388,975	2,539,402
		W 9,460,171	W 7,083,133

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note 11 . Borrowings:

Borrowings at December 31, 2000 and 1999 comprise the following:

	Annual interest rate (%)	Millions of Won	
	2000.12.31	2000	1999
Won currency borrowings			
Borrowings from Korean Government	2.0 - 10.0	W 2,854,239	W 2,751,770
Others	0 - 19.0	2,674,285	1,731,843
		5,528,524	4,483,613
Foreign currency borrowings			
Borrowings from Korean Government	LIBOR+0.75 - 1.12	12,604,883	10,886,581
Off-shore borrowings	2.3 - 7.1	1,346,210	1,428,335
Others	0.3 - 9.3	4,467,926	5,002,216
		18,419,019	17,317,132
Other borrowings			
Bond sold under repurchase agreement		1,669,192	627,381
Notes sold		201,790	154,051
Call money		880,647	165,385
Others		9,763	-
		W 2,761,392	W 946,817
		W 26,708,935	W 22,747,562

The subordinated debts included in borrowings from Korean Government at December 31, 2000 and 1999 comprise the following:

Type	Annual interest rate (%)	Millions of Won	
	2000.12.31	2000	1999
Government fund	5.0-10.0	W 2,628,444	W 2,658,083
AID relending facilities	2.00	439	506
ADB relending facilities	6ML + 0.4	3,786,983	3,441,481
IBRD relending facilities	6ML + 1.0	8,817,900	7,445,100
		W 15,233,766	W 13,545,170

The maturity of borrowings at December 31, 2000 are as follows (in millions of Won):

Matured in	Borrowings in Won	Borrowings in foreign currency	Total
2001	W 1,192,692	W 2,304,907	W 3,497,599
2002	573,341	877,490	1,450,831
2003	519,422	1,765,112	2,284,534
2004	668,548	4,256,255	4,924,803
2005	542,842	2,799,242	3,342,084
Thereafter	2,031,679	6,416,013	8,447,692
	W 5,528,524	W 18,419,019	W23,947,543

note 12. Debentures:

Debentures at December 31, 2000 and 1999 comprise the following:

	Annual interest rate (%)	Millions of Won	
	2000.12.31	2000	1999
Industrial finance bonds issued ("IFBI") in Won	1.0 - 18.0	W 25,091,658	W22,864,522
IFBI in foreign currency	3ML +0.1 - 9.0	9,894,904	11,544,349
Off-shore IFBI in foreign currency	1.0 - 9.0	3,492,038	3,688,197
Others	8.7 - 23.0	860,057	1,148,218
		39,338,657	39,245,286
Premiums on Deventures		594	1,786
Discounts on Deventures		(170,149)	(177,548)
		W 39,169,102	W39,069,524

Under the Korea Development Bank Act, the Bank has authority to issue industrial finance bonds. The amount of issued bonds and guarantees outstanding by the Bank is limited to the amount of 30 times of paid-in capital and legal reserve. Bonds purchased or guaranteed by the Korean Government are not included in the limit.

When existing bonds are refinanced or guarantees are executed, the limit is temporarily not applied. The amount of issued bonds guaranteed by the Korean Government is W801,785 million as of December 31, 1999.

The maturity of debentures at December 31, 2000 are as follows (in millions of Won):

Matured in	Debentures in Won	Debentures in foreign currency	Total
2001	W 10,600,903	W 3,302,585	W 13,903,488
2002	6,271,191	3,622,337	9,893,528
2003	4,233,581	1,274,816	5,508,397
2004	1,882,960	2,545,141	4,428,101
2005	2,618,400	836,167	3,454,567
Thereafter	325,479	1,825,097	2,150,576
	W 25,932,514	W 13,406,143	W 39,338,657

note 13. Other Liabilities:

Other liabilities at December 31, 2000 and 1999 comprise the following:

	Millions of Won	
	2000	1999
Withholding taxes	W 25,964	W 27,244
Deferred gain from foreign exchange	23,974	27,778
Provision for possible losses from disposed loans	695,607	706,348
Advance received on IFBI	38,114	203,399
Advances received	555,606	-
Borrowings from Trust accounts	93,271	172,672
Guarantee money received	93,478	54,986
Others	1,060,698	307,421
	W 2,586,712	W 1,499,848

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note 14. Guarantees Outstanding:

The Bank provides guarantees for its customers. Guarantees outstanding and the related provision for possible loss as of December 31, 2000 and 1999 are as follows (in millions of Won):

	Guarantees amount		Provision for possible loss		Provision ratio (%)
	2000	1999	2000	1999	2000.12.31
Acceptances	W 4,582,257	W 3,437,826	W 158,799	W 137,325	3.47
Guarantees on local borrowings	2,557,155	2,802,057	116,113	237,755	4.54
Guarantees on indebtedness in foreign currency	3,644,740	3,523,624	136,342	154,577	3.74
Letters of guarantee for importers	56,727	36,229	1,008	61	1.78
	W 10,840,879	W 9,799,736	W 412,262	W 529,718	3.80

note 15. Commitments and Contingencies:

As of December 31, 2000, the Bank has outstanding commitments related to commercial letters of credit and other guarantees (excluding the guarantees described in Note 13) amounting to W2,084,119 million.

The Bank has entered into agreements with foreign banks for certain syndicated loans. The total amount under such loans is US\$ 45,764 thousand, of which US\$ 5,321 thousand has not been withdrawn by borrowers as of December 31, 2000.

During 1998, the Bank sold with recourse W3,084,141 million of non-performing loans classified as substandard or below to the Korea Asset Management Corporation for proceeds of W1,339,629 million. The resulting loss was recorded as a loss on disposition of loans during 1998. During 1999, the Bank recognized gains and losses from the settlement of such loans in the amount of W71,874 million and W1,514 million, respectively. As of December 31, 2000, the Bank recorded a provision for possible losses from unsettled disposed loans amounting to W695,607 as other liabilities (See Note 12).

The bank sold off W950,627 million of loans to KDB First Securitization Specialty Co., Ltd. and W914,764 million of loans to KDB Second Securitization Specialty Co., Ltd. in accordance with Asset Securitization Plan on June 8, 2000 and November 8, 2000, respectively. According to the contracts on asset transfer stipulating warranty for the

above assets, the bank has a responsibility of warranty up to the 30 percent of the proceeds when the principal or a part of the interest is not repaid at the expected due date of cash flows. Securitization of W200,000 million have been provided as collateral to KDB First Securitization Specialty Co., Ltd. and KDB Second Securities Specialty Co., Ltd.

The bank sold off W3,935,457 million of loans in 2000 to KDBLONESTAR CRC of W928,496 million, Korea Asset Management Corporation of W1,024,831 million, W1,865,391 million mentioned above, and others. The Bank recorded gain and loss from the disposition of the loans amounting to W10,203 million and W1,903,788 million, respectively.

The bank has provided credit lines to several securitization specialty companies in an amount of W2,978,400 million, of which W42,097million was withdrawn as of December 31, 2000.

The bank made a contract with Doosan Consortium to sell 19,482,314 shares of Korea Heavy Industrial & Construction Co., Ltd. at W8,150 per share. The Bank received ten percent of the contract amount as a down payment, and is supposed to be paid in three installment by March, 2001. The shares will be transferred on March 19, 2001, when all the proceeds have been received.

The Bank received 377,852 shares of Samsung Life Insurance donated by the chairman of Samsung Group, to make up uncollectable debts of Samsung Motors Inc. to the Bank. The Bank wrote off the outstanding Samsung Motors loans and recorded a gain of W264,496 million from the shares of Samsung Life Insurance valued W700 thousand per share. According to the agreement between Samsung Group companies and the creditors of the Samsung Motors. Samsung Group companies agreed to make up a possible short fall, in case the donated shares fall short of the Samsung Motors' debt. The ultimate effect of the related uncertainties cannot presently be determined.

Under the contract with Samsung Group companies, Samsung promised to sell the Samsung Life shares on behalf of the Bank by the end of 2000 and pay the cash agreed to the creditor of the Samsung Motors. Otherwise, Samsung is obliged to pay overdue interest to the creditors. However, Samsung has not complied with the contract until the balance sheet date.

As discussed in Note 6, certain customers of the Bank and its subsidiaries are in the process of restructuring loans with their creditor banks. The actual losses from these loans may differ from management's current estimation.

At December 31, 2000, one of the Bank's subsidiaries, Daewoo Securities Ltd. is involved in 43 pending litigations for damages, (claim amount : W231,343 million). The final results of the litigations are not reasonably estimable as of the balance sheet date.

The Bank entered into an agreement with the JBIC (Japan Bank for International Cooperation) in 2000 relating to W295,245 millions of loans to be used for designated purposes. As of December 31, 2000, the Bank has local loans denominated in foreign currency and foreign currency loans amounting W293,938 million and W1,307 million, respectively, relating to this borrowing.

In connection with the Asian financial crisis which began in 1997, the Korean economy as well as other economies in the Asia Pacific region experienced economic contractions, a reduction in the availability of credit, increased interest rates, increased inflation, negative fluctuations in currency exchange rates, increased numbers of bankruptcies, increased unemployment and labor unrest. Such conditions had a significant adverse

effect on the operations of the Bank and other companies in Korea and in the Asia Pacific region. Significant uncertainties still exist related to the economy in Korea and in the Asia Pacific region. The accompanying consolidated financial statements reflect management's current assessment of the impact to date of the economic situation on the financial position of the Bank and its subsidiaries. Actual results may differ materially from management's current assessment.

note 16. Derivative financial instruments and the related contracts:

The Bank utilizes derivative financial instruments to hedge against financial market risks or for trading purposes.

In case of trading purposes, the Bank uses futures & forward contracts, swaps, options, in order to gain a profit from short-term fluctuations of the underlying value of the derivatives, by forecasting the future interest rate, exchange rate or other variables affecting the value of the instruments. Furthermore, the Bank also trades the instruments to hedge against the derivative financial instruments purchased by the Bank's customers.

Additionally, the trading derivatives include the derivatives used to hedge exchange rate of the Bank's foreign currency assets & liabilities and interest rate of the Bank's loans and borrowings, which the underlying assets and liabilities are already valued at fair market value in accordance with the financial accounting standards accepted in the Republic of Korea or the position hedging transactions in which derivative instruments are not specifically identified to the underlying transactions.

The hedging instruments generally include the cross currency swaps and/or interest rate swaps used to hedge the borrowings and bonds denominated in foreign currency from the exchange rate and/or the interest rate risks. Those hedging transactions are made with foreign financial institutions and domestic banks. The hedging instruments also include the interest swaps used to reduce interest rate risks of the Industrial Finance Bonds Issued in Won.

Notes to Consolidated Financial Statements

DECEMBER 31, 2000 AND 1999

The unsettled contract amount of the Bank's derivatives and the related valuation gain(loss) are as follows :

	The unsettled contract amount			Valuation gain / loss(I/S)			Valuation gain/loss(B/S)
	Total	Trading purpose	Hedging purpose	Total	Trading purpose	Hedging purpose	
Currency							
Forward	W 5,255,915	W 5,255,915	W -	W 70,784	W 70,784	W -	W 70,363
Futures	113,373	113,373	-	-	-	-	-
Swap	11,694,087	8,104,884	3,589,203	(684,860)	(9,752)	(675,108)	(330,066)
Call options	709,566	709,566	-	28,591	28,591	-	27,533
Put options	709,566	709,566	-	(23,199)	(23,199)	-	(27,533)
	18,482,507	14,893,304	3,589,203	(608,684)	66,424	(675,108)	(259,703)
Interest rate							
Forward	74,486	74,486	-	88	88	-	88
Futures	2,898,082	2,898,082	-	440	440	-	-
Swap	13,664,189	12,484,670	1,179,519	266,183	93,365	172,818	217,345
	16,636,757	15,457,238	1,179,519	266,711	93,893	172,818	217,433
Stock price index							
Options	1,500	1,500	-	-	-	-	6
	1,500	1,500	-	-	-	-	6
	W35,120,764	W30,352,042	W 4,768,722	W(341,973)	W160,317	W (502,290)	W(42,264)

The Bank adopted the revised accounting standards for derivative financial instruments for hedging purposes from 2000 (see Note2). The financial statements for 1999 were not restated.

note17. Paid-in Capital:

The Bank increased and decreased its paid-in capital several times including additional raising of W100,000 million and reducing of W959,800 million paid-in capital for the year ended in December 31, 2000. Paid-in capital of the Bank at December 31, 2000 is W4,111,861 million.

note18. Capital Surplus:

Capital Reserves -

In accordance with a resolution of the board of directors on October 27, 1998, the Bank decreased its paid-in capital by W4,218,800 million, of which W4,184,046 million was used to offset accumulated deficit and the remaining amount of W34,754 million was credited to capital reserve. Also in accordance with a resolution of the board of directors on November 22, 2000, the Bank decreased its paid-in-capital by W959,800 million, of which W950,181 million will be used to offset accumulated deficit and the remaining amount of W9,619 million will be credited to capital reserve.

note19. Retained Earnings:

Retained earnings as of December 31, 2000 and 1999 comprise the following:

	Millions of Won	
	2000	1999
Legal reserve	W -	W524,766
Others	(36,856)	(36,630)
	W(36,856)	W488,136

Legal Reserve -

The Korea Development Bank Act requires the Bank to appropriate net income as a legal reserve. This reserve can be transferred to paid-in capital or used to offset accumulated deficit.

Offset of accumulated deficit -

In accordance with the Korea Development Bank Act, the Bank offsets the accumulated deficit with reserves. If reserves are insufficient to eliminate the accumulated deficit, the Government should complement the deficiency. Legal reserves of W54,594 million were used

to offset accumulated deficit with approval of the Government on February 19, 1998. Capital surplus of W4,879,924 million and legal reserves of W9,522 million were used to offset accumulated deficit with the approval of the Government on February 27, 1999. Capital surplus of W950,181 million and legal reserves of W456,997 million will be used to offset accumulated deficit on February 28, 2001 with approval of the Government.

Cumulative Effects of Accounting Changes -

According to the revised financial accounting standards generally accepted in the Republic of Korea and new accounting standards for the banking industry, the Bank adopted or changed certain accounting methods effective January 1, 1999 and 2000. Retained earnings as of the beginning of 1999 have been increased for the effect of retroactive application of new methods as follows:

	Millions of Won	
	2000	1999
Losses on valuation of derivative financial instruments	W (35,250)	W -
Gains on valuation of investment by equity method	26,504	490,527
Others	-	(245,248)
	W (8,746)	W 245,279

note20. Capital adjustments:

Capital adjustments at December 31, 2000 and 1999 comprise the following:

	Millions of Won	
	2000	1999
Valuation gain on investment securities	W (250,586)	W 775,820
The Bank's shares of capital adjustments of subsidiaries	(38,144)	24,135
	W (288,730)	W 799,955

note21. Other non-interest revenue (expense):

Other non-interest revenue (expense) for the year ended December 31, 2000 comprises the following:

	Millions of Won	
Other non-interest revenue		
Recovery of allowance for bad debts	W	381,141
Revenue from financing lease		138,929
Revenue from operating lease		232,716
Revenue from trust operation		17,885
Recovery from allowance for guarantee and acceptance		150,731
Others		393,381
	W	1,314,783
Other non-interest expense		
Loss from trust operation		87,920
Depreciation of operating lease		166,242
Amortization of deferred loss on foreign exchange translation		105,505
Others		105,930
	W	465,597

Notes to Consolidated Financial Statements

DECEMBER 31, 2000 AND 1999

note22. Non-operating Income (Expense):

Non-operating income (expense) for the year ended December 31, 2000 and 1999 comprise the following:

	Millions of Won	
	2000	1999
Non-operating income		
Gain on disposition of premises and equipment	W 1,628	W 1,834
Rental income	10,970	1,556
Gain on disposal of loans	82,077	704,152
Gain from investment securities	723,271	1,255,732
Others	30,359	5,464
	848,305	1,968,739
Non-operating expense		
Loss on disposition of premises and equipment	W 3,901	W 2,481
Loss on disposal of loans	1,905,491	537,837
Loss from investment securities	657,563	353,186
Others	34,323	15,364
	W 2,601,278	W 908,868
	W (1,752,973)	W 1,059,871

note23. General and Administrative Expenses:

General and administrative expenses for the year ended at December 31, 2000 and 1999 comprise the following:

	Millions of Won	
	2000	1999
Salaries	W 184,355	W 94,472
Retirement allowance	42,363	25,841
Welfare expenses	73,130	18,573
Depreciation	50,800	17,408
Rent	17,024	6,186
Fees	25,955	52,365
Others	157,229	50,262
	W 550,856	W 265,107

note24. Income Tax Expenses:

The statutory income tax rate applicable to the Bank, including resident tax surcharges, is approximately 30.8%. However, there was no provision for domestic income taxes except special additional taxes due to current year's operating losses. The effective tax rate is approximately 29.45% for the year ended December 31, 2000.

Income tax expense for the years ended December 31, 2000 and 1999 comprises the following:

	Millions of Won	
	2000	1999
Income taxes payable	W 13	W -
Deferred income taxes	-	87,882
Income taxes for overseas branches	614	492
	W 627	W 88,374

The Bank recorded at W152,401 million which is realizable deferred tax assets between the beginning balance, W1,399,531 million and the ending balance, W1,840,799 million.

note25. Intercompany Transactions and Account Balances:

Significant transactions made in the ordinary course of business during 2000 among the Bank and its subsidiaries balances at December 31, 2000, which have been eliminated in the accompanying consolidated financial statements, are summarized as follows:

	Millions of Won	
	2000	1999
Intercompany interest	W 177,956	W 299,631
Intercompany loans / borrowings	1,633,356	1,726,899
Others	627,134	534,096

note26. Industry Segment Reporting:

The consolidated balance sheets summarized by the industry segment at December 31, 2000 and 1999 are as follows:

	Finance & Insurance		Non Finance & Insurance	
	2000	1999	2000	1999
ASSETS				
Cash an cash equivalents	W 6,479,023	W 7,097,498	W 164,772	W -
Trading securities	3,659,685	7,202,891	296	-
Investment securities	17,278,620	17,317,995	76,112	-
Loans	51,888,828	44,862,352	95,261	-
Premises and equipment	1,311,337	798,017	1,566,661	-
Others	6,835,435	3,304,122	1,352,999	-
Total assets	W 87,452,928	W 80,582,875	W 3,256,101	W -
LIABILITIES AND EQUITIES				
Deposits	W 9,522,404	W 7,083,133	W -	W -
Borrowings	25,903,066	22,747,562	969,208	-
Debentures	38,942,799	39,069,524	231,752	-
Other liabilities	8,168,445	4,332,036	1,417,018	-
Total liabilities	W 82,536,714	W 73,232,255	W 2,617,978	W -
Equity				
Paid-in capital	W 4,111,861	W 4,971,661	W 991,954	W -
Consolidated capital surplus	47,313	34,754	-	-
Capital surplus	(36,857)	488,136	20,710	-
Capital adjustment	(288,730)	799,955	(390,051)	-
Minority interests	1,082,627	1,056,114	15,510	-
Total equity	4,916,214	7,350,620	638,123	-
Total liabilities and equities	W 87,452,928	W 80,582,875	W 3,256,101	W -

The Bank and its subsidiaries did not engage in the non finance and insurance industry segment for the year 1999.

Report of Independent Accountants

SAMIL ACCOUNTING CORPORATION

PRICEWATERHOUSECOOPERS 

To the Board of Directors
The Korea Development Bank

Samil Accounting Corporation
Hanil Group Building 21th Fl.
191 Hankangro 2 ga, Yongsanku
Seoul 140-702, KOREA
(C.P.O. Box 2170, 100-621)

We have audited the accompanying consolidated balance sheets of the Korea Development Bank (the "Bank") and its subsidiaries as of December 31, 2000 and 1999 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended, expressed in Korean Won. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Bank and its subsidiaries as of December 31, 2000 and 1999, and the results of their operations, the changes in their shareholders' equity and cash flows for the years then ended in accordance with financial accounting standards generally accepted in the Republic of Korea.

As discussed in Note 1 to the consolidated financial statements, Sanub Financial Corp. and KDB Lease (Japan) Ltd., currently under liquidation, were excluded from the consolidation in 2000. Daewoo Securities Co., Ltd. and its subsidiaries and Daewoo shipping & Marine Engineering CO., Ltd. and its subsidiaries are consolidated in 2000 since the Bank has taken controls of the companies in 2000.

As discussed in Note 17 to the consolidated financial statements, the Bank increased its paid-in capital through a W100,000 million cash injection and decreased its paid-in capital by W959,800 million by transferring to accumulated deficit and capital reserve.

As discussed in Note 15 to the consolidated financial statements, the Bank received 377,852 shares of Samsung Life Insurance donated by the chairman of Samsung Group, to make up uncollectable debts of Samsung Motors Inc. to the Bank. The Bank wrote off the outstanding Samsung Motors loans and recorded a gain of W264,496 million from the shares of Samsung Life Insurance valued W700 thousand per share. According to the agreement between Samsung Group companies and the creditors of the Samsung Motors, Samsung Group companies agreed to make up a possible shortfall, in case the donated shares fall short of the Samsung Motors' debt.

Under the contract with Samsung Group companies, Samsung promised to sell the Samsung Life shares on behalf of the Bank by the end of 2000 and pay the cash agreed to the creditor of the Samsung Motors. Otherwise, Samsung is obliged to pay overdue interest to the creditors. However, Samsung has not complied with the contract until the balance sheet date. The ultimate effect of the related uncertainties cannot presently be determined.

As discussed in Note 15 to the consolidated financial statements, the Bank sold non-performing loans of W3,935,457 million book value for W2,041,872 million during 2000. Gains and losses from the sale were W10,203 million and W1,903,788 million, respectively.

As discussed in Note 15 to the consolidated financial statements, the operations of the Bank and its subsidiaries have been significantly affected, and may continue to be affected for the foreseeable future, by the general adverse economic conditions in the republic of Korea and in the Asia Pacific region. Under these adverse economic conditions, certain customers of the Bank and its subsidiaries restructured loans with their creditor banks. As discussed in the notes 7 to the financial statements the Bank and its subsidiaries provided loans of W5,074,913 million on December 31, 2000 for work-out companies and Daewoo Group companies. The Bank and its subsidiaries provided W2,714,424 million for possible loan losses with regard to the above customers. Actual results of the credit loss from the loans to the customers could differ from the provisions reserved.

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

The accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Korea. The standards, procedures and practices used to audit such financial statements are those generally accepted and applied in Korea.



Seoul, Korea
March 10, 2001

Auditor's Statement

In my capacity as duly appointed Auditor of the Korea Development Bank, I have examined the consolidated balance sheets of the Korea Development Bank and subsidiaries as of December 31, 1999 and 2000 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended.

My examination was made in accordance with generally accepted auditing principles in the Republic of Korea and accordingly included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

In my opinion, the aforementioned consolidated financial statements referred to above, together with the notes relating thereto, present fairly the financial position of the Korea Development Bank and subsidiaries as of December 31, 1999 and 2000, and the results of their operations, the changes in shareholders' equity and cash flows for the years then ended, in conformity with Korean laws and generally accepted accounting principles in the Republic of Korea.

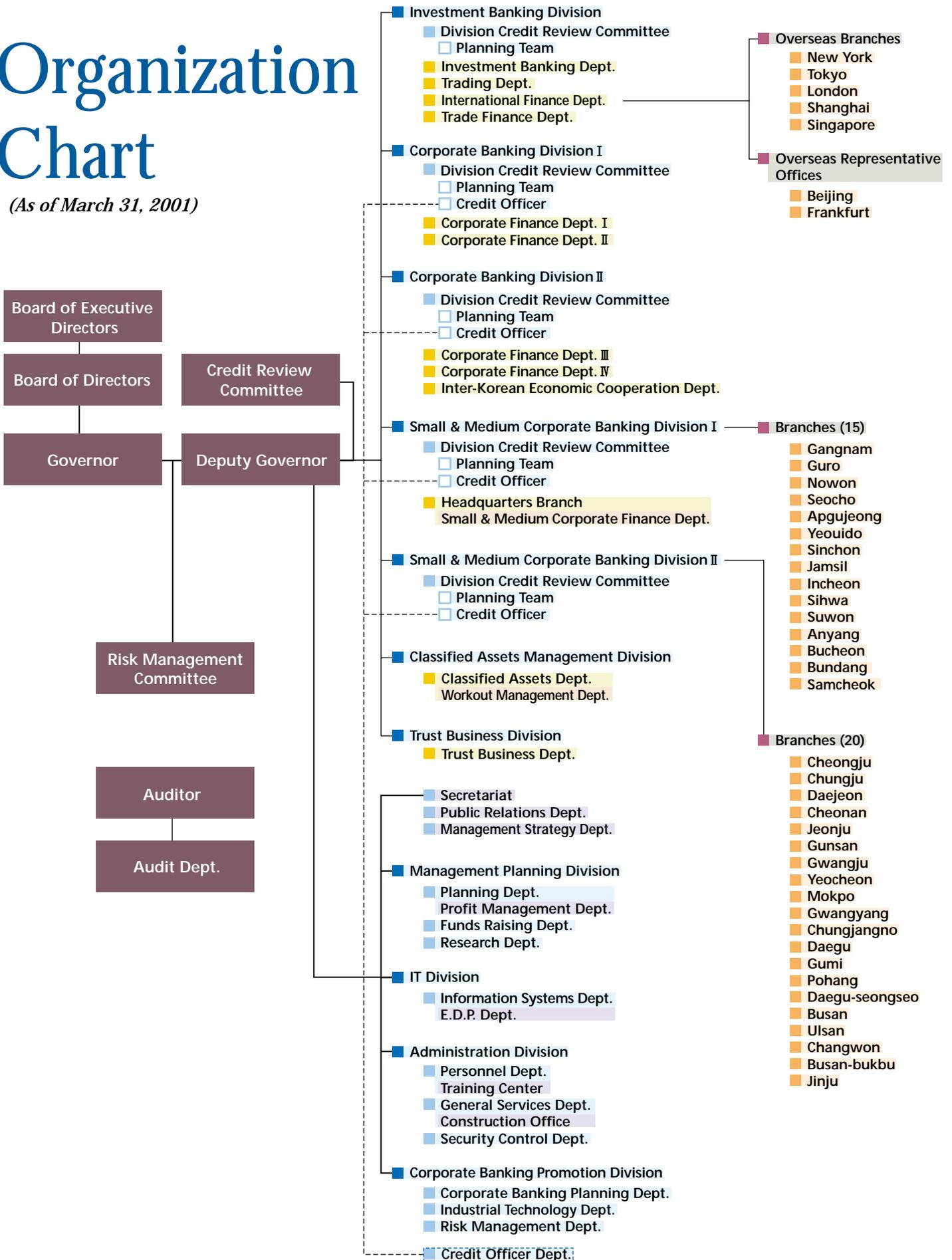
March 2001



Suk-In Kang
Auditor

Organization Chart

(As of March 31, 2001)

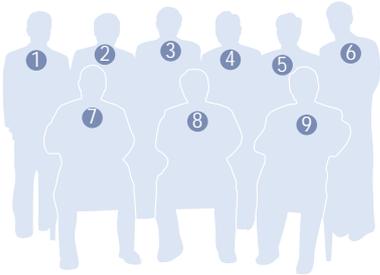


Members of the Board of Exe. Directors and Auditor



Board of Directors and Auditor

- | | |
|-----------------------|--------------------------|
| Governor | Rak-Yong Uhm ⑧ |
| Deputy Governor | Chull-Joe Chung ⑦ |
| Auditor | Suk-In Kang ⑨ |
| Executive Directors | Duck-Soo Kim ③ |
| | Kyou-Won Oh ④ |
| | Sang-Bae Park ② |
| | Young-Jin Lee ⑤ |
| | Soon-Hwa Park ① |
| | Ki-Seong Kim ⑥ |
| Nonexecutive Director | Byong-Hun Ahn |



Network Directory

HEADQUARTERS

10-2 Gwancheol-dong, Jongno-gu,
Seoul 110-748, Korea
Tel: 82-2-398-6114
Fax: 82-2-733-4768
Telex: KODBANK K27463

Yeouido Building

16 Yeouido-dong, Yeongdeungpo-gu,
Seoul 150-010, Korea
Tel: 82-2-3770-5114
Fax: 82-2-783-4045/6

Internet Homepage

<http://www.kdb.co.kr>

OVERSEAS NETWORK

BRANCHES

New York

Woo-Yang Park *General Manager*
32nd Floor, Mutual of America Life Insurance Bldg.,
320 Park Avenue, New York, NY 10022, U.S.A.
Tel: 1-212-688-7686
Fax: 1-212-421-5028

Tokyo

Dae-Shik Shin *General Manager*
Room 305, Fuji Bldg., 2-3 Marunouchi 3-chome,
Chiyoda-ku, Tokyo 100, Japan
Tel: 81-3-3214-4541/2
Fax: 81-3-3214-6933

Shanghai

Kyong-Dong Min *General Manager*
Pos-plaza, 480 Pudian Road Pudong,
New Area, Shanghai, 200122 China
Tel: 86-21-6875-1234
Fax: 86-21-6875-1177

Singapore

Su-Yeon Kim *General Manager*
8 Shenton Way, #07-01/02 Temasek Tower,
Singapore 068811
Tel: 65-224-8188
Fax: 65-225-6540

London

Hyung-Koo Yim *General Manager*
99 Bishopsgate, 16th Floor London EC2M 3XD, U.K.
Tel: 44-20-7426-3550
Fax: 44-20-7426-3567

REPRESENTATIVE OFFICE

Beijing

Dae-Kon Jang *Chief Representative*
1601 China World Tower No.1, Jian Guo Men Wai Avenue,
Beijing 100004, China
Tel: 86-10-6505-4901
Fax: 86-10-6505-4903

Frankfurt

Myong-Kyu Lee *Chief Representative*
Rahmhofstrasse 2-4, Postfach 60313,
Frankfurt am Main, Germany
Tel: 49-69-920713-0
Fax: 49-69-920713-99

OVERSEAS SUBSIDIARIES

KDB Asia Ltd.

Jae-Hong Chang *Managing Director*
Suite 2101-2103, Two Exchange Square,
8 Connaught Place, Central, Hong Kong
Tel: 852-2524-7011
Fax: 852-2810-4447

KDB Ireland Ltd.

Chong-Gyu Laah *Managing Director*
Ground Floor, Russel House Stokes Place,
St. Stephen's Green, Dublin 2, Ireland
Tel: 353-1-4753-644
Fax: 353-1-4753-658

DOMESTIC SUBSIDIARIES

KDB Capital Corporation

140 Da-dong, Jung-gu, Seoul 100-180, Korea
Tel: 82-2-3160-114
Fax: 82-2-3160-779

Daewoo Securities Co., LTD.

34-3 Yeouido-dong, Yeongdeungpo-gu,
Seoul 150-716, Korea
Tel: 82-2-768-3355
Fax: 82-2-784-0826

