

Customer is **first**
in everything **we do**



**Korea First Bank,
for the benefit of customers.**

KFB is reborn with an advanced customer service system which gives complete satisfaction to our valuable customers.
Will you come and celebrate our rebirth?

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Founded in 1929, Korea First Bank is arguably the most-recognized financial institution in Korea.

As its name implies, for years the Bank has been the first in the nation's banking industry in terms of assets, customer base, branch network, business performance and the like. Customer loyalty has proved to be one of the key factors that helped the Bank overcome the financial crisis of unprecedented magnitude faced by the entire nation in 1997. Mindful of what the Bank stands for in the financial industry as well as for the nation, the government, with firm public support, recapitalized the Bank and invited Newbridge Capital, a turn-around specialist, to manage the Bank back to its great legacy.

The new management of the Bank has a grand yet realistic goal for the Bank, as well as the banking expertise to back its drive. Consisting of foreign and local nationals with extensive banking experience, the new management team is focused on achieving superior profitability. The team intends to do so by turning the Bank into the market leader in consumer financing and small to medium-sized business banking.

Financial Highlights

December 31, 1999 and 1998	In Billions of Korean Won		In Millions of U.S. Dollars****	
	1999	1998***	1999	1998
BANKING ACCOUNTS				
At Year-End				
Loans	W 12,448.4	W 14,277.0	\$ 10,868.1	\$ 11,820.7
Securities	8,295.1	5,667.9	7,242.1	4,692.7
Total assets	26,134.5	25,687.0	22,816.9	21,267.6
Deposits	15,698.0	13,863.1	13,705.3	11,478.0
Borrowings	6,229.4	8,030.7	5,438.6	6,649.0
Total liabilities	25,154.0	28,865.6	21,960.9	23,899.3
Common stock	980.6	1,600.0	856.1	1,324.7
Total stockholders' equity	980.6	48.5	856.1	40.2
For the Year				
Interest income*	1,702.0	2,671.6	1,485.9	2,212.0
Interest expenses	1,476.9	2,641.4	1,289.4	2,187.0
Net interest income	225.1	30.2	196.5	25.0
Non-interest income	3,184.9	1,037.3	2,780.6	858.8
Non-interest expenses	4,414.1	3,682.1	3,853.8	3,048.6
Income before income taxes	(1,004.1)	(2,614.6)	(876.6)	(2,164.8)
Income taxes	0.6	0.3	0.5	0.2
Net income	(1,004.7)	(2,614.9)	(877.2)	(2,165.0)
TRUST ACCOUNTS				
At Year-End				
Total assets	12,248.0	11,986.5	10,693.2	9,924.2
Money trust	5,085.3	7,221.8	4,439.8	5,979.3
CONSOLIDATED FINANCIAL DATA				
Credit Quality				
Non-performing loans**	26.0	3,832.3	22.7	3,173.0
Reserve for loan losses	443.7	1,511.1	387.3	1,251.1
BIS Capital Ratios				
Tier 1 Capital	6.89%	-1.27%		
Tier 2 Capital	4.71%	0.00%		
Total Capital	11.44%	-1.47%		

* Includes interest on credit card loans

** Except for performance-based trust accounts, there are no longer any non-performing loans since KDIC guarantees the entire amount of principal and interest in accordance with the assistance agreement. Refer to page 25 for details.

*** Adjusted according to the revised financial accounting standards for comparison purposes only

**** Korean Won accounts are translated solely for the convenience of readers into U.S. dollars at W1,145.4 to US\$1.00 and W1,207.8 on December 31, 1999 and 1998, respectively.

Message from the New President



Wilfred Y. Horie
President & Chief Executive Officer

There are many challenges ahead of us, but we are also excited about the great opportunities for the Bank. The positives of a healthy balance sheet, a parent company fully committed to the Bank's reclamation of its legacy, a professional management staff, a dedicated workforce, a strong customer base are some of the many reasons we are confident about our future.

Korea First Bank has closed the chapter on the most difficult three year period of its 70 year history. Since the economic crisis of 1997, the bank has been through significant downsizing and many months of uncertainty as it was positioned for sale under the IMF agreement. During this difficult period, the loyal patronage of our customers and the dedication of our employees remained strong. I would like to take this opportunity to express my sincere appreciation to our customers, employees, and supporters for their commitment to the Bank during these turbulent times.

At the close of 1999, as you may be aware, Newbridge Capital acquired majority ownership of Korea First Bank with full management responsibility. The KW500 billion capital investment marks the new beginning for the Bank to usher in the new millenium. Newbridge has committed to return Korea First Bank to one of the best financial institutions in Korea and reclaim its great legacy.

To accomplish this, Newbridge has assembled seventeen business leaders and scholars to guide the Bank as the new Board of Directors. The new members of the Board have been chosen for their expertise and knowledge most suitable for the Bank's unique situation. Chairman Robert Barnum is renowned for his role of turning around American Savings Bank, once the largest troubled financial institution in the U.S. Vice Chairman Chulsoo Kim is not only an authority on economics but is thoroughly familiar with macroeconomics, as he served as Deputy Director General at the WTO and was Korea's Minister of Trade. Other distinguished board members include Michael "Mickey" Kantor, a former Secretary of Commerce of the U.S., and Frank Newman, formerly Chairman, President and CEO of Bankers Trust and formerly Deputy Secretary of Treasury of the U.S., to name a few.

In addition to board members of unrivaled reputations and expertise, we have attracted a group of first-class professional managers to help me run the daily operations of the Bank.

Out of the eight members of my executive team, including myself, three are foreign nationals and the rest are of Korean origin thoroughly exposed to western banking know-how and completely familiar with the local culture.

Ranvir Dewan is our CFO, who will be installing new financial techniques in our balance sheet management. Chief Operating Officer Duncan Barker will be applying his extensive experience in international finance to strategic marketing, product development, and general administration, to name some of his responsibilities. Our Chief Credit Officer is Soo Ho Le, who has spent many years as a credit specialist at the Bank of America. Chief Information Officer Jay Hyun has built up a well-respected career in IT-related fields both at home and overseas, more recently with EDS. Kwang Woo Chong is Deputy President and Chief of Branch Operations responsible for the distribution network. He is supported by Jin Tae Kim and Hak Yong Shim who head the Western and Eastern

An Interview with the new Bank president

Q> What is your management goal for the Bank? And what is your business strategy against the industry-wide competition over high-net-worth customers?

A> Continuing to do well what we have been doing is important. Our Bank has a large pool of first-class human resources, and I will focus on getting the best out of those people. I will devote a lot to customer management. I will see to it that all employees see customers as the boss and strive to offer better customer service. The Bank will be practicing an advanced management style, pursuing something different and better, and devoting a lot of resources to developing new products.

Q> How do you view the use of international best practices; which ones do you plan to import; and how do you plan to educate employees on the practices of your selection?

A> The issue of importing international best practices is vital not only to our Bank, but also to the whole country. Employee participation is necessary; their open-mindedness to the practices is important; and their willingness to make them a part of the work process is crucial. The most important of all is a credit evaluation methodology. Almost all of the troubled banks of the world owed their trouble to the lack of solid principles in their credit evaluation system. Having a sound loan portfolio is more important than anything else. In this regard, we have invited Mr. SooHo Lee to join us as Chief Credit Officer. He will take full responsibility for running the lending operations and, I am sure, under his direction, the

credit evaluation system will be further improved.

Secondly, getting the best out of the existing branch network is important. To enhance customer service requires good use of the branch network. Providing an emergency loan to an existing customer in need of quick funds could do wonders to the overall quality of customer service. Expanding into consumer finance business such as credit cards, auto loans and housing loans is also important.

Q> Have you considered market expansion by paying higher interest rates on deposits and charging lower interest rates on loans than other banks? And do you have any plans to bring in cheap funds from overseas based on the Bank's renewed credibility?

A> Newbridge's capital infusion has substantially bolstered the Bank's balance sheet, which has helped raise the Bank's credit ratings. Now the Bank can borrow overseas at more favorable terms. Price changing such as offering higher interest rates on deposits is a serious matter which requires a lot of planning. A viable strategy, not a marketing gimmick, should come first. I will think about it after developing a sound strategy in two or three months.

Q> Promotion is the biggest concern for salaried workers. Do you have a promotion plan for this year? What do you look for in promotion and how do you see promotion by selection?

A> The Korean financial industry today practices promotion by experience or seniority. Of course, we can't dismiss such a practice, but I see promotion based on performance as very important, too. I will implement a performance-based promotion system at an earliest opportunity, and the new system will reflect the

operations, respectively. The concept of having a CBO, COO, CFO, CCO and CIO is new to Korea and we believe the current organizational structure is the better vehicle to deliver our objectives in the coming years.

With a clean balance sheet and a new management, we articulate our simple goal: to once again become the best bank in Korea. And for this goal we have a clear objective: to maximize profitability by becoming the market leader in servicing consumers and small-to-medium enterprises. To achieve this objective, we have drawn up a set of action plans, some of which are already being implemented.

Firstly, the newly restructured organization will continue to be streamlined so that it will be constantly aligned with strategic priorities and accountable for profit targets.

We are now installing stronger financial discipline in terms of pricing and balance sheet management. With the leadership of the CIO and CFO backed by an increasing IT investment, we are putting in place a more rigorous accounting and management information system to enhance accountability and awareness.

Thirdly, with the adoption of the new credit system under the CCO, we are working hard at implementing rigorous yet efficient underwriting policies and process. In particular, we will continue to improve our credit approval processes in the area of consumer and SME financing.

Next, our focus is to change our branch network to one that is more sales-oriented. This is more challenging, as it requires the changing of a mindset molded in a culture where passive sales has been the unspoken norm. In these regards, the Bank is adopting many approaches designed to convey the management's confidence in the employees' abilities to help the Bank regain its market position. Wages were recently brought up to industry

standards along with promotions that were long overdue. In addition, we are stepping up efforts to educate employees on the importance of proactive selling and encouraging them, particularly those at the front line, to reach out to customers for any opportunity to serve them better. In fact, cross-selling is a new mantra of marketing at the Bank.

Developing "best-in-class" consumer finance products is our fifth action plan. Spearheaded by the Chief Operating Officer, we are finalizing some new investment products in alliance with one of the global leaders in investment management. Also, we have high hopes on a soon-to-be-introduced mortgage loan program, which is designed to help our customers buy homes or to take out home equity loans for personal uses. Once a comprehensive customer database and a credit scoring system are completely integrated, our 4.2 million depositors will then be potential customers of housing, auto and other loan products common at western banks.

There is one concept consistent throughout our business line strategies: sell more diverse products through alliances and cross-selling. To make our diverse products and services more easily available to potential customers, we will aggressively pursue all forms of strategic alliances with relevant businesses, particularly those directly in contact with household customers.

Lastly, we will fully leverage our existing relationships with large corporations to generate fee income and to cross-sell consumer products to their employees. We will actively market our innovative consumer products such a mortgage loan, credit cards, auto loan, and general household loans to the employees of large corporate customers.

In addition to the above-mentioned six action plans, we have initiated many new projects, one of them is a "Change Management Program," under which twenty specific initiatives are to be reviewed and implemented for immediate efficiency

labor union's opinions and respect Korean traditions. Experience and seniority are respected not only in Korea but also in other Asian countries. The new promotion system will strike a fine balance between the Asian way and the Western way. From the management's point of view, promotion by selection is important. Such a system will be taken into consideration.

Q> You just talked about the need to expand into auto loans, housing loans and other products that are applicable to the middle and upper classes. Specifically, who should be the target group of the retail business?

A> First, let me talk about business expansion. If you walk into a bakery and ask for three donuts, and the clerk just gives you what you ordered, the donuts would be the only sales made from that particular customer. But if the clerk told you how delicious and wholesome croissants and carrot cake were, you might be tempted to try some, and that's what a good business development technique is all about. Moreover, you will also have a better opinion of the bakery to share with your friends because you have experienced more products.

As for our business target, the middle and upper classes should not be the only target groups, but all customers across the board should be. Yesterday, I visited a branch which had 41,000 deposit customers and 2,900 loan customers. If this branch converts 20% of its deposit customers into borrowers, its loan assets would more than triple. They would experience new products and we would experience an increase in quality assets.

Q> Do you have any strategic product in mind for the consumer market?

A> We plan to roll out a housing finance product that has never been introduced in Korea before. Commonly called a mortgage loan in the U.S., this product will be a breath of fresh air to Korean consumers when they discover that its maturity, interest rate, and principal payment method can be readily adjusted to their needs. I am certain that the product will be a big hit in the fast-growing housing loan market. Besides the mortgage loan, we are working on high-yield investment products in cooperation with foreign asset management companies.

Q> Electronic banking is fast-emerging as a strategic area, and other Korean banks are expanding investment in the area. What kind of strategy do you have for this field, which is also necessary for expanding the retail banking business?

A> I also have a strong interest in electronic banking, which is important from the customer's standpoint, and is also important in terms of it being another channel. But Bank One, a U.S. pioneer in electronic banking, failed in its attempt to launch its electronic banking service despite its high hope and a large budget. The spread of computers and the Internet does not necessarily guarantee the success of electronic banking. Adopting to customer needs is important. We must find out what kind of products customers want and develop electronic banking products according to their needs.

improvements. Another project launched is to review our existing pay structure to a new one based on performance. This program is to motivate employees to achieve better results and to reward them fairly.

There are many challenges ahead of us, but we are also excited about the great opportunities for the Bank. The positives of a healthy balance sheet, a parent company fully committed to the Bank's reclamation of its legacy, a professional management staff, a dedicated workforce, a strong customer base are some of the many reasons we are confident about our future.

We are confident that the year 2000 will produce concrete results to substantiate a positive projection of our Bank's future. All of us at this renewed institution look forward to sharing these business results with you in the months ahead. Thank you for your continued support of Korea First Bank.



Wilfred Y. Horie

President & Chief Executive Officer



THE KFB VISION

To achieve superior profitability by becoming a market leader in retail and SME banking, we maintain a streamlined organization aligned to and focused on strategic priorities, instill strong financial disciplines in pricing and balance sheet management, implement rigorous and efficient credit policies and processes, turn the whole branch network into more of a sales-oriented organization, develop best-in-class consumer finance products through an efficient and cost-effective back-office process, and cultivate large corporate relationships into a fee income source.

Newbridge Capital's acquisition of KFB

On December 23, 1999 Newbridge Capital and the Korean government made it official that the premier U.S. investment firm was the new owner and operator of Korea First Bank. This definite announcement concluded a 15-month long negotiation between the Korean government and Newbridge. Newbridge holds a 51% stake in the bank for its capital injection of W500 billion (US\$415.3 million) while the remaining 49% is held by the government.

Newbridge is seen by many industry experts as a perfect match for the Bank and for the tasks of turning the Bank around and helping it reclaim its legacy as a great financial institution.

Backed and run by a world-premier financial group, the Bank is now one of the nation's safest banks and should reemerge as a premier financial institution in Korea.

Substantial increase in shareholder value is expected in the coming years.

Newbridge is required to maintain the ratio of stockholders' equity to assets at 3% or higher and the BIS capital ratio above 10% at all time.

Newbridge is required to hold its stake for at least two years.

Newbridge has a contingency plan prepared to invest an additional W200 billion in the next two years to keep the Bank financially sound and strong.

In addition, the government is to buy back all KFB loans that default over the next two years (three years for loans in workout) and to make provision against any loans turning into non-performing loans over the next two years.

Newbridge has full autonomy in operating the Bank as the government has fully relinquished its voting rights, except under a few conditions including capital adjustment. In return, the government has a subscription right, exercisable after three years, to warrants worth 5% of total shares as of the time of the acquisition.

ACQUISITION EFFECTS

Newbridge is seen by many industry experts as a perfect match for the Bank and for the tasks of turning the Bank around and helping it reclaim its legacy as a great financial institution.

Backed and run by a world-premier financial group, the Bank is now one of the nation's safest banks and should reemerge as a premier financial institution in Korea.

Substantial increase in shareholder value is expected in the coming years.

Implementing international best practices through transparent management, the Bank will become a role model for the whole Korean financial industry.

The acquisition of a Korean commercial bank by foreign investors speaks volumes about the structural soundness of the Korean economy and its growth potential and will boost would-be foreign investors' confidence in the government's will and ability to reform its financial and other vital industries.

The acquisition of the Bank and the growing confidence in the Korean economy of foreign investors will help improve the nation's sovereign ratings, which in turn will further boost the fast-recovering economy, and the chain-reaction will continue, positively affecting the Bank's profit performance along the way.

Introduction to Newbridge Capital

The Newbridge Capital Group is a U.S. investment firm specializing in capitalizing on long-term investment opportunities. Newbridge's strategy is to bring the extensive investment management experience of its founding shareholders to the emerging markets of Asia and Latin America. Specifically, Newbridge's investment philosophy is focused on the following:

Identifying undervalued businesses with long-term growth potential which are viewed by most investors as too risky or too complex.

Creating value in its invested companies through new strategic direction, improved management efficiency and better access to capital.

Leveraging upon the extensive portfolio of the Texas Pacific Group and Richard C. Blum & Associates from around the world.

Today, Newbridge is a global organization with offices in major financial hubs such as Singapore, Rio de Janeiro, and San Francisco. The principals of Newbridge have completed some of the most successful turnaround investments in the world. A case in point was the turnaround of American Savings Bank, one of the largest failed financial institutions in the U.S. In addition to saving American Savings from the brink of liquidation, the investment structure created by Newbridge yielded a profit of over US\$400 million for the US government through its ownership interest in the recapitalized bank. Other institutions turned around by Newbridge include American West Airlines, Continental Airlines, Del Monte Foods, Ducati Motor, National Reinsurance, and Paradyne Corporation.



New Management and Organization

The Bank has gone through a complete reorganization to further accentuate the sense of renewal, as well as to better accommodate the vision and strategy of the new management. The reorganization has replaced the previous system of 15 departments and 9 teams with that of 5 divisions, 17 departments and 13 teams. Simplicity, practicality and flexibility are some of the design principles used in the formation of the new organization.

The born-again Korea First Bank has new top management and Board of Directors, both consisting of Korean and foreign nationals, steeped in advanced management and banking know-how and experience. The Board of Directors is comprised of 17 Korean and foreign nationals. All are non-standing except for two; President & CEO and EVP & CFO. All board members have either outstanding business careers or distinguished academic backgrounds. Some profiles of board members are as follows:

THE BOARD OF DIRECTORS

Chairman

Robert T. Barnum, Chairman of the Board of Directors, has served as President of American Savings Bank, a previously troubled California bank which he helped turned around. Prior to joining American Savings Bank, Chairman Barnum held a number of senior positions in respected financial service firms, most recently as Chief Financial Officer of First Nationwide Bank.

Vice Chairman

Dr. Chulsu Kim, Vice Chairman of the Board, is a professor of Economics and International Trade at Sejong University and President of the Sejong Institute. Dr. Kim has served as Deputy Director General of the World Trade Organization (WTO) and Korea's Minister of Trade, Industry and Energy.

Other distinguished members include:

Michael "Mickey" Kantor, formerly Secretary of Commerce and United States Trade Representative, is a partner with a Chicago-based international law firm. Mr. Kantor currently serves as a member of the Board of Directors of Monsanto Company and is a Senior Advisor to Morgan Stanley Dean Witter Discover & Company.

Richard C. Blum is Chairman of BLUM Capital Partners and Co-Chairman of Newbridge Asia, and is also serving as Director on a number of boards, including Northwest Airlines.

David Bonderman is a founding partner of Texas Pacific Group, and a Co-Chairman of Newbridge Asia.

The remaining 12 directors are all distinguished and well-respected authorities in their respective fields.

TOP MANAGEMENT

The top management of the Bank also consists of five Korean and three foreign nationals chosen for their thorough exposure to and familiarity with international best practices.

The formation of the management reflects the core principle of the recent reorganization: efficiency in the decision-making process.

Unlike other Korean banks, there is only one layer between executive officers and the Bank president, which makes the decision-making process quick and efficient.

*Wilfred Y. Horie, President & CEO,
Appointed Jan. 21, 2000:*

Mr. Horie, also a board member, has served as Senior Executive Vice President of Associates First Capital Corporation and as head of its international operations. Associates is the largest diversified finance company traded on the New York Stock Exchange. As head of international operations at Associates, Mr. Horie spearheaded the company's expansion into nine more countries, including India and France, by focusing on mergers, acquisitions or

joint ventures. In three years of his leadership, Associates' international operations quadrupled in business volume. Moreover, while heading the company's operations in Japan, he successively overcame the traditional xenophobic barriers of the Japanese financial market and created, with 671 branches, the largest non-Japanese finance company serving retail customers, therein turning the Japanese market into the highest growth sector of Associates' international operations.

*Kwang Woo Chong, Deputy President & CBO,
Appointed Jan. 21, 2000:*

A graduate of Seoul National University, Deputy President Chong has been with the Bank throughout most of his professional career. During his 20-year-plus banking career at the Bank, he has headed key operations, including the London branch and the International Finance Department. As Deputy President & CBO, Mr. Chong now oversees the Bank's entire domestic branch operations, including sales and customer service.

*Duncan W. Barker, Executive Vice President & COO,
Appointed Feb. 8, 2000:*

Chief Operating Officer Barker began his banking career at First Interstate Bancorp in California, where he was Senior Vice President of the institution's Corporate Banking Group. He also was with Associates First Capital Corporation, where he oversaw international operations as Executive Vice President. His roles at Korea First Bank are extensive, covering many areas ranging from overall marketing strategy development to general administration. The departments that fall under his supervision include Strategic Marketing, Products Management, Trade Banking, Mortgage Finance, and General Administration Departments.

*Ranvir Dewan, EVP&CFO,
Appointed April 7, 2000:*

A member of the Board's Audit Committee, Mr. Dewan has dedicated his professional career to the field of accounting. He holds British A.C.A. and F.C.A. and a Canadian C.A. He has served in many accounting-related posts at international financial institutions, including Citibank, where he was Regional Financial Controller. CFO Dewan is now

responsible for overall bank planning, auditing and financial matters, manages investor relations & financial communications, and supervises Corporate Planning & Budgeting, Internal Audit, Accounting, Treasury and Asset/Liability Management Departments.

*SooHo Lee, Executive Vice President & CCO,
Appointed Jan.1, 2000:*

Chief Credit Officer Lee is a credit specialist well respected for his extensive experience in the field relatively new in the Korean banking industry. He was in charge of all credit-related operations at the Seoul branch of the Bank of America and an investment consultant in Canada. As CCO of the Bank, Mr. Lee is responsible for credit control and credit risk management including non-performing loan, distressed asset and workout management. He also supervises the Credit Risk Management, Special Assets and Credit Review & Compliance Departments.

*Jay Hyun, Executive Vice President & CIO,
Appointed March 8, 2000:*

Chief Information Officer Hyun has extensive academic as well as professional backgrounds in the field of information technology. He studied Applied Mathematics at Seoul National University and Computer Science at Wayne State University, in the USA. He served as chief Technology Officer at the EDS/Diversified Financial Services Unit. His responsibilities as CIO include providing bank operations with information system and technology support, developing and maintaining alternative service channels, and improving IT systems and alternative channels based on inputs from other departments.

*Jin Tae Kim, Executive Vice President & Head of West
Division, Appointed March 3, 2000*

Executive Vice President Kim heads West Division, one of the two divisions that are in charge of all branch operations of the Bank. He reports directly to Deputy President & Chief Branch Officer Kwang Woo Chong. Having started his banking career at the Bank, Executive Vice President Kim is steeped in the fine art of branch management. West Division consists of four Regions, V, VI, VII, and VIII.

*Hak Yong Shim, Executive Vice President & Head of
East Division, Appointed March 3, 2000*

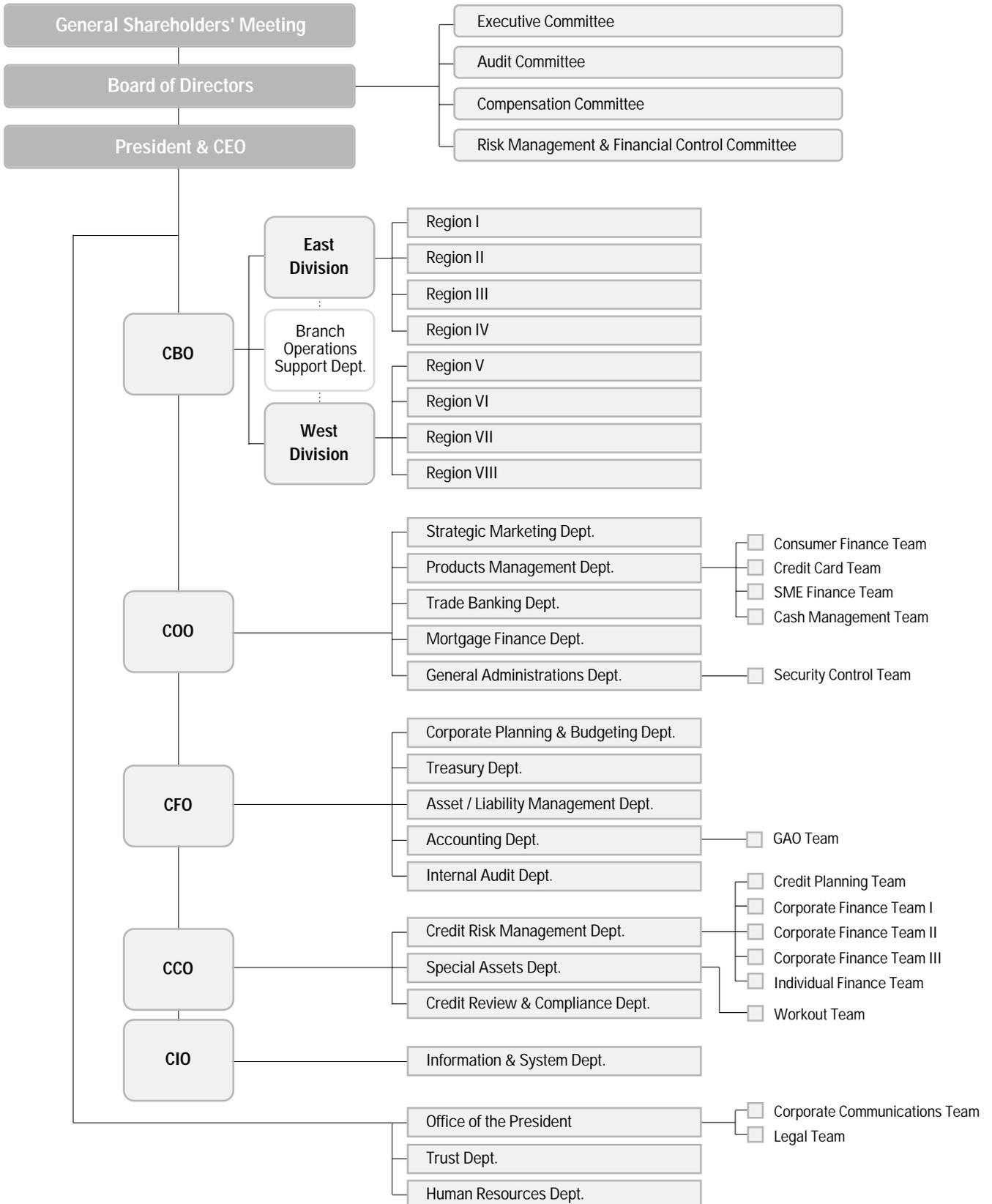
Executive Vice President Shim heads the other division that oversees the business operations of the other half of the branches. Also reporting to Deputy President & Chief Branch Officer Kwang, Executive Vice President Shim has served as General Manager at many key branches of the Bank. His division also consists of four Regions titled I, II, III, and IV.

REORGANIZATION

The Bank has gone through a complete reorganization to further accentuate the sense of renewal, as well as to better accommodate the vision and strategy of the new management. The reorganization has replaced the previous system of 15 departments and 9 teams with that of 5 divisions, 17 departments and 14 teams. Simplicity, practicality and flexibility are some of the design principles used in the formation of the new organization. Also, individual responsibility is clearly defined for each strategic priority. The new system is designed for immediate adoption with minimal disruption to banking operations. Major job roles have been defined with a realistic scope of accountability, and layers between manager levels have been minimized to enable direct reports to top management. Future evolutions of products and service channels have been taken into consideration, as well.

Most importantly however, the management has adopted the CCO system and vastly strengthened its responsibilities and authority. Reporting directly to the CEO, the CCO controls all the Bank's credit-related operations through the supervision of the Credit Risk Management, Special Assets and Credit Review & Compliance Departments. For closer monitoring of loans, the Credit Review & Compliance Department has broken down existing loans into eight categories, on top of the five-class system of the Financial Supervision Service. Moreover, the Department has assigned a loan compliance officer to each branch to ensure complete transparency in the lending process.

ORGANIZATION CHART





Vision & Strategies

The KFB Vision is to achieve superior profitability by becoming a market leader in retail and SME banking. The Bank has a set of action plans for each of its core areas, and one main concept consistent throughout the plans is sell more differentiated products through business alliances and cross-selling. To make our diverse products and services more easily available to potential customers, we will aggressively pursue all forms of strategic alliances with relevant businesses, particularly those directly in contact with household customers.

The Bank is preparing an aggressive marketing plan to deliver to customers, existing as well as potential, a message that KFB is ready to become a leader in consumer-focused banking.

The strategy in consumer lending centers on two concepts: availability and convenience - both from the customer's standpoint. In other words, the Bank will focus on making consumer-oriented products easily available to the majority of consumers.

CONSUMER LENDING

Consumer lending is one of the fastest-growing segments, as well as being one of the most contested markets, in Korean banking. Fully aware of its weakened position in this lucrative market, the Bank is preparing an aggressive marketing plan to deliver to customers, existing as well as potential, a message that KFB is ready to become a leader in consumer-focused banking.

The strategy in consumer lending centers on two concepts: availability and convenience – both from the customer's standpoint. In other words, the Bank will focus on making consumer-oriented products easily available to the majority of consumers.

For wider availability of its loan products, the Bank will aggressively pursue business alliances or strategic partnerships with such consumer-oriented

concerns as realtors, automobile dealerships, housing construction firms and so on. Moreover, the Bank is looking into developing an Internet banking infrastructure to enable on-line loan application and approval.

For a faster turn-around of loan applications, an efficient and accurate credit evaluation process is necessary, and the Bank is in the process of developing an advanced credit scoring system modeled after those used by its overseas affiliates.

In addition to developing customer-based products, the Bank is focusing on increasing cross-selling and bundle-selling.

CREDIT CARDS

The credit card business is another hotly contested segment as its continued high growth continues to attract flocks of new entrants with large built-in customer bases. The Bank's strategy in this vital market is similar to that in consumer lending; facilitate customer-oriented convenience.

First, the Bank will examine its existing BC operations, which are hampered by the limited BC network, and, if found desirable, develop an in-house credit card. New services will also be developed, but with differentiated value proposition by customer segment. Business alliances, innovative and convenient from the customers' perspective, will be aggressively pursued and expanded. Cross-selling will be extensively employed to market to deposit customers.

The Bank is also looking into the feasibility of introducing new products such as revolving and corporate purchasing cards.

DEPOSIT-TAKING

The current deposit market has two dominant developments: flight to quality and a growing industry competition over high-net-worth (HNW) customers. In addition to these two developments, the Bank faces some more weaknesses which have surfaced in the past few years of drifting. Thus, the Bank's strategy in the deposit-taking business centers on addressing precisely these weaknesses.

Firstly, the Bank will focus on differentiating its products and services to make some of them more appealing to HNW customers' tastes. Loyalty programs will be developed as a way of showing the Bank's appreciation for its large depositors.

Secondly, the Bank will step up efforts to expand its mass customer base. For this it will fully leverage its excellent relationships with large corporations to win over their employees' accounts. Alliances with large retailers will thus be aggressively pursued.

Thirdly, efficiency and cost reduction will be aggressively sought after at every available opportunity. The branch operation will be streamlined and the branch layout reconfigured. All back-office functions will be consolidated at either the Head Office or regional centers to allow branches to better focus on sales. Automated services will be expanded and electronic banking launched.

INVESTMENT TRUST

The investment trust market is similar to the savings-related market in that it has been jolted by a flight-to-quality development. Bank trusts are continuing to decrease across the industry, except for unit trusts, which have been growing fast.

To strengthen its weaknesses and thus regain the

competitiveness it once enjoyed, the Bank has drawn up the following action plans:

Develop more trust products and thus retain customers with accounts nearing their maturity.

Cross-sell 3rd party funds to Bank customers and thus meet varying customer needs.

Conduct comprehensive training to raise the sales force's product knowledge and sales ability.

Restructure trust assets to enhance profitability.

Bolster research and fund management capabilities through IT system enhancement and recruitment of professionals.

SME MARKET

The SME sector, long overshadowed by the rapid growth of large corporations, is widely forecast to explode in growth in the next few years, as the government is increasing its support for this sector. Moreover, quickly following the shift in government policy, financial institutions are aggressively vying against one another in wooing sound SMEs with increasingly attractive products and services.

SME banking presents the Bank a whole new challenge, as it has long been oriented to serving large corporations. To compensate for its lack of experience in SME banking and develop a new banking edge, the Bank plans to import advanced techniques of credit evaluation and monitoring from its new-found affiliates overseas.

Other action plans for the SME market include:

Develop new-to-bank programs for new clients.

Develop new fee-generating products.

Improve the sales force's marketing ability through intensive in-house training.

Operate business centers dedicated to serving SME clients.

Develop new risk management practices.

Upgrade information systems to better serve SME clients' non-financial needs.

Delegate more credit authority to the branch level to expedite the turnaround of credit applications.

LARGE CORPORATE BANKING

Large corporate banking is one sector that continues to dwindle in activity due to an increasing trend of disintermediation fueled by growing capital markets.

Traditionally strong in this shrinking segment, the Bank has shifted its focus from lending to fee business, such as trade finance, as corporate finance is becoming ever more sophisticated.

In particular, the Bank will refine the art of leveraging its corporate relationships to cross-sell retail and fee-based products such as cash management services.

While focusing on growing fee-based businesses, the Bank will selectively lend to large corporations, based on its new credit and risk evaluation systems.

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The following financial section contains business results made by Korea First Bank during the fiscal year of 1999 ended on December 31, 1999. The new management and the Directors of the Board of the Bank are not responsible for, nor should they be held accountable for, the financial figures stated in the section, as all of them were appointed to their respective posts after Newbridge Capital's acquisition of the Bank, which became effective from the year 2000.

Management's Discussion & Analysis

SELECTED FINANCIAL DATA

Years Ended December 31	In Billions of Korean Won		In Millions of U.S. Dollars ****	
	1999	1998****	1999	1998
Banking Accounts				
Operating Results				
Interest income*	W 1,702.0	W 2,671.6	\$ 1,485.9	\$ 2,212.0
Interest expenses	1,476.9	2,641.4	1,289.4	2,187.0
Net interest income	225.1	30.2	196.5	25.0
Non-interest income	3,184.9	1,037.3	2,780.6	858.8
Non-interest expenses	4,414.1	3,682.1	3,853.8	3,048.6
Income before income taxes	(1,004.1)	(2,614.6)	(876.6)	(2,164.8)
Income taxes	0.6	0.3	0.5	0.2
Net income	(1,004.7)	(2,614.9)	(877.2)	(2,165.0)
Balance Sheet Data at Year-End				
Loans	12,448.4	14,277.0	10,868.1	11,820.7
Securities	8,295.1	5,667.9	7,242.1	4,692.7
Total assets	26,134.5	25,687.0	22,816.9	21,267.6
Deposits	15,698.0	13,863.1	13,705.3	11,478.0
Borrowings	6,229.4	8,030.7	5,438.6	6,649.0
Total liabilities	25,154.0	28,865.6	21,960.9	23,899.3
Common stock	980.6	1,600.0	856.1	1,324.7
Total stockholders' equity	980.6	48.5	856.1	40.2
Trust Balance at Year-End				
Total assets	12,248.0	11,986.5	10,693.2	9,924.2
Money trust	5,085.3	7,221.8	4,439.8	5,979.3
Credit Quality **				
Non-performing loans***	26.0	3,832.3	22.7	3,173.0
Reserve for loan losses	443.7	1,511.1	387.3	1,251.1
Capital Ratios at Year-End**				
Tier 1 Capital	6.89%	-1.27%		
Tier 2 Capital	4.71%	0.00%		
Total Capital	11.44%	-1.47%		

* Includes interest on credit card loans

** Based on consolidated financial data

*** Except for performance-based trust accounts, there are no longer any non-performing loans since KDIC guarantees the entire amount of principal and interest in accordance with the assistance agreement.

**** Adjusted according to the revised financial accounting standards for comparison purposes only

***** Korean Won accounts are translated solely for the convenience of readers into U.S. dollars at W1,145.4 to US\$1.0 and W1,207.8 on December 31, 1999 and 1998, respectively.

All financial information set forth below, unless otherwise indicated, is given on a non-consolidated basis and classified in accordance with the 1999 Line-item Classifications. The report on the audit of financial statements in 1999 applied the revised financial accounting standards, and omitted the comparison of 1999 with 1998. However, in our discussion and analysis, we adjusted 1998 results according to the revised standards for comparison purposes only.

OVERVIEW

In spite of harsh business conditions, Korea First Bank (KFB or 'the Bank') continued its determination to make stable and profitable management. The efforts resulted in improved operational results in 1999.

After reflecting the loss of W3,342.3 billion incurred by sales of debt to Korea Asset Management Corp., loss before loan loss reserve was W2,276.8 billion. Considering the recovery of loan loss reserve of W1,523.1 billion with the sales of bad debts, net loss for 1999 was W1,004.7 billion, a decrease of W1,610.2 billion over the net loss of W2,614.9 billion the previous year.

The Bank sold W4,503.9 billion worth of non-performing assets to the Korea Asset Management Corp. (KAMCO) on July 9, 1999, and transferred non-performing assets of W3,094.7 billion in banking accounts and W524.7 billion in trust accounts to Korean Deposit Insurance Corp. (KDIC) on December 30, 1999. As a result, non-performing assets decreased W8,123.3 billion, and thus, the loan loss reserve recovered to W1,523.1 billion in 1999.

NET INCOME

	In Billions of Korean Won	
	1999	1998
Interest income	W 1,702.0	W 2,671.6
Interest expenses	1,476.9	2,641.4
Net interest income	225.1	30.2
Non-interest income*	1,661.8	1,037.3
Non-interest expenses**	4,163.7	2,885.3
Income before loan loss reserve	(2,276.8)	(1,817.8)
Transfer to loan loss reserve	250.4	796.8
Recovery of loan loss reserve	1,523.1	–
Income taxes	0.6	0.3
Net Income	(1,004.7)	(2,614.9)

* Excludes recovery of loan loss reserve

** Exclude transfer to loan loss reserve

Korea First Bank's net interest income for the year ended December 31, 1999 amounted to W225.1 billion, compared with W30.2 billion in 1998. The Bank set aside loan loss reserve of W250.4 billion, down from W796.8 billion in the previous year. As per the Assistance Agreement, the Bank is to receive a protection on the 96.5% of principal balance of loans outstanding from KDIC. Accordingly, the Bank has not established specific provision other than 3.5% initial reserve for possible loan losses at December 31, 1999.

The interest rate spread between interest-earning assets and interest-bearing liabilities increased from -1.0 percent to 0.9 percent, and net interest margin as a net yield on interest-earning assets rose from 0.11 percent to 0.96 percent.

Total non-interest income was W3,184.9 billion in 1999, a 207.0% increase over W1,037.3 billion in 1998, while total non-interest expenses totalled W4,414.1 billion, up 19.9% from W3,682.1 billion the previous year.

The Bank's total assets on an outstanding basis amounted to W26,134.5 billion at the end of 1999, a 1.74% increase from W25,687.0 billion a year earlier. Of total assets, loans comprised W12,448.4 billion, compared with W14,277.0 billion a year earlier, and securities investments accounted for W8,295.1 billion, compared with W5,667.9 billion at the end of 1998.

The Korean government agreed to buy back KFB loans that had been in default for two years (three years for Daewoo and workout corporate loans). The government will also build up the relevant loan loss reserves against any loans newly classified as non-performing loans for the two years after KFB's acquisition by Newbridge, according to the Acquisition Agreement signed on December 30, 1999. However, this government guarantee does not apply to trust account products which pay out based on performance. Therefore, taking into account all loans, including loans in banking accounts, advances for customers, local letter of credit bills, credit card loans, customers' liabilities on guarantees and loans in trust accounts, the Bank's non-performing loans amounted to W26.0 billion at the end of 1999, compared with W3,832.3 billion a year earlier. Non-profitable loans based on the New FSS Guidelines were W20.1 billion in 1999.

The bank's total liabilities on an outstanding basis amounted to W25,154 billion at the end of 1999, a decrease from W28,865.6 billion a year earlier. Of total liabilities, deposits comprised W15,698.0 billion, compared with W13,863.1 billion a year earlier, and borrowings accounted for W6,229.4 billion, compared with W8,030.7 billion at the end of 1998.

Due to the increase in core capital boosted by capital injections from KDIC and foreign investors, the Bank's BIS capital ratio increased to 11.44% in 1999, from negative 1.47% in 1998 and 0.98% in 1997.

Total trust assets managed under the Bank's discretion amounted to W12,248.0 billion at the end of 1999, compared to W11,986.5 billion in 1998. Of the Bank's total assets in 1999, loans represented 17%, securities accounted for 75% and other liquid assets comprised 8%. Total trust income for 1999 was W3,269.4 billion, up from W2,671.2 billion in the previous year.

OPERATING RESULTS

For the year ended December 31, 1999, the Bank reported interest income of W1,702.0 billion, down from W2,671.6 billion the previous year. Interest expenses amounted to W1,476.9 billion, a sharp decrease over W2,641.4 billion in 1998.

Based on these results, KFB's net interest income for 1999 amounted to W225.1 billion, up from W30.2 billion in 1998.

Total non-interest income amounted to W3,184.9 billion in 1999, a 207.0% increase over W1,037.3 billion in 1998, while non-interest expenses totalled W4,414.1 billion, up 19.9% from W3,682.1 billion the year before.

After accounting for income taxes, KFB reported a net deficit of W1,004.7 billion for 1999, compared with a deficit of W2,614.9 billion the previous year.

Net Interest Income

At the end of the year, Korea First Bank reported net interest income of W225.1 billion, an increase from the W30.2 billion in 1998. Even though both interest income and interest expenses decreased in 1999, net interest income increased thanks to a bigger drop in interest expenses compared to interest income. In addition, the Bank's interest rate spread in 1999 was 0.9% compared to -1.0% last year, up 1.9 percentage points.

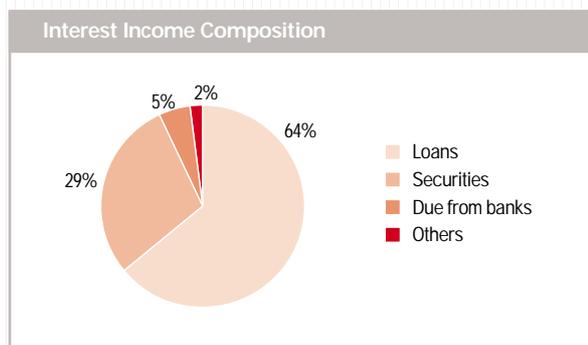


KFB's interest income for 1999 was W1,702.0 billion, down 36.3% or W969.6 billion from W2,671.6 billion in the previous year. In 1999, the decrease in interest income came mainly from lower market interest rates and diminished average interest-earning assets. Especially average loans decreased primarily due to the sale of bad debts to Korea Asset Management Corp.

At the end of the year, the Bank held average interest-earning assets of W23,298.8 billion, down 17.9% or W5,090.2 billion from W28,389.0 billion a year earlier. Of the Bank's holdings in average interest-earning assets, average Won currency loans, which bear the highest interest rate in this category, decreased by 18.9% during 1999 from W11,444.5 billion to W9,281.2 billion. Average foreign currency loans decreased by 46.8% from W9,517.3 billion to W5,067.0 billion. The drop in foreign currency loans was primarily a result of the unfavorable FX market conditions since the financial crisis in 1997.

INTEREST INCOME

	In Billions of Korean Won	
	1999	1998
Won Currency	W 1,312.3	W 1,899.2
Due from banks	52.4	123.3
Loans	775.0	1,367.5
Securities	454.0	403.3
Others	30.9	5.1
Foreign Currency	389.7	772.4
Due from banks	27.8	60.0
Loans	321.3	677.5
Securities	40.6	34.9
Total Interest Income	1,702.0	2,671.6



AVERAGE INTEREST-EARNING ASSETS

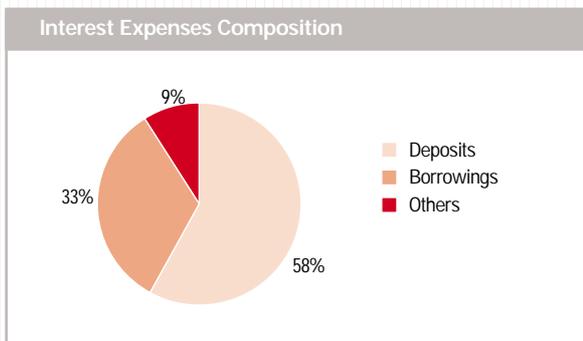
	In Billions of Korean Won			
	1999		1998	
	Average	Rate	Average	Rate
Won Currency Assets	W 17,143.3	7.7%	W 17,226.4	11.0%
Due from banks	1,165.5	4.5%	1,230.7	10.0%
Loans	9,281.2	8.4%	11,444.5	11.9%
Securities	6,696.6	6.8%	4,551.2	8.9%
Foreign Currency Assets	6,191.8	6.3%	11,186.9	6.9%
Due from banks	570.2	4.9%	948.1	6.3%
Loans	5,067.0	6.3%	9,517.3	7.1%
Securities	554.6	7.3%	721.5	4.8%
Total Interest-Earning Assets	23,335.1	7.3%	28,413.3	9.4%

Interest expenses in 1999 were W1,476.9 billion, a 44.1% or W1,164.5 billion decrease over W2,641.4 billion in 1998. The decrease in interest expenses was primarily due to a lower interest rate environment in 1999 and a reduction in foreign currency liabilities. Average interest-bearing liabilities decreased by 9.3% or W2,365.3 billion from W25,346.8 billion in

1998 to W22,981.5 billion in 1999. Average Won currency deposits increased by 16% from W11,326.2 billion to W13,136.6 billion. Average foreign currency borrowings, which were marketed with attractive interest rates throughout the year, decreased from W7,723.9 billion to W4,268.3 billion.

INTEREST EXPENSES

	In Billions of Korean Won	
	1999	1998
Won Currency	W 1,072.9	W 1,823.8
Deposits	797.6	1,125.1
Borrowings	172.4	488.4
Others*	103.0	210.3
Foreign Currency	404.0	817.6
Deposits	51.7	28.8
Borrowings	321.0	731.9
Others*	31.3	56.9
Total Interest Expenses	1,476.9	2,641.4



* Includes interest on due to trust accounts, interest on debenture issued, interest paid on foreign transaction

AVERAGE INTEREST-BEARING LIABILITIES

	In Billions of Korean Won			
	1999		1998	
	Average	Rate	Average	Rate
Won Currency Liabilities	W 17,224.5	6.2%	W 16,085.0	11.3%
Deposits	13,136.6	6.1%	11,326.2	9.9%
Borrowings	3,759.7	4.6%	4,370.2	11.2%
Others*	328.2	31.4%	388.7	54.1%
Foreign Currency Liabilities	5,757.0	7.0%	9,261.8	8.8%
Deposits	959.2	5.4%	645.4	4.5%
Borrowings	4,268.3	7.5%	7,723.9	9.5%
Others	529.5	5.9%	892.5	6.4%
Total Interest-Bearing Liabilities	22,981.5	6.4%	25,346.8	10.4%

* Includes financial debenture, credit card receivables, and borrowing from trust account

Non-Interest Income

Due to growth in gains on securities, other operating income and non-operating income, KFB's total non-interest income for 1999 was W3,184.9 billion, up W2,147.6 billion from W1,037.3 billion in year before. The increase in non-interest income was primarily due to the recovery of loan losses reserve of W1,523.1 billion. Gains on securities also increased 70.5% or W55.8 billion to W134.9 billion over the previous year, primarily due to the generally strong securities market in Korea. The composite stock exchange index rose 465.61p during 1999 from 562.46p at December 31, 1998 to 1,028.07p at December 31, 1999.

Meanwhile, gains on foreign exchange transactions decreased W338.8 billion to W107.2 billion in 1999 from W446.0 billion in 1998. This decrease reflected narrower trading margins and decreased volatility in the value of the Won due to the overall economic recovery in Korea.

NON-INTEREST INCOME

	In Billions of Korean Won	
	1999	1998
Fees & Commissions	W 189.9	W 230.8
Commissions received	57.4	54.4
Credit card fees	113.7	129.1
Guarantee fees	8.4	13.8
Commissions received from prepayment of trust accounts	8.8	33.1
Other service charges*	1.6	0.4
Trust management fees	42.6	64.8
Gains on securities**	134.9	79.1
Gains on foreign exchange transaction	107.2	446.0
Others	1,326.3	97.0
Non-operating income	1,384.1	119.7
Total Non-Interest Income	3,184.9	1,037.3

* Include charge on securities lent

** Include dividend income of securities

Non-Interest Expenses

KFB reported total non-interest expenses amounting to W4,414.1 billion for 1999, an increase of 19.9% or W732.0 billion over W3,682.1 billion in the previous year. The increase was mainly attributed to increases in losses from sales of non-performing loans. Of non-operating expenses, losses from sales of non-performing loans totalled W3,342.3 billion, compared with W450.9 billion in 1998. During 1999, the Bank sold non-performing loans in banking accounts with a total book value of W4,503.9 billion to KAMCO, and transferred non-performing assets of W3,094.7 billion in banking accounts and W524.7 billion in trust accounts to KDIC.

General and administrative expenses decreased from W627.9 billion in the previous year to W416.0 billion in 1999, primarily due to an 81.2% decrease in provision for severance benefits. Losses on securities decreased W402.5 billion to W16.8 billion over the previous year as a result of the improved market conditions. Losses on foreign exchange transactions also decreased W253.2 billion to W68.0 billion from W321.2 billion in 1998 resulting from decreased volatility in the value of the Won. Payment for guaranteed return on trust decreased as the Korean stock market in general showed strong performance in 1999.

NON-INTEREST EXPENSES

	In Billions of Korean Won	
	1999	1998
Fees & Commissions	W 33.3	W 23.2
General & Administrative expense	416.0	627.9
Salaries & Wages	141.1	141.4
Office expenses	153.6	157.1
Provision for severance benefits	48.5	258.1
Taxes & Duties	32.6	19.9
Depreciation & Amortization	40.2	51.4
Other operating expenses	526.4	2,554.9
Losses on securities	16.8	419.3
Losses on foreign exchange transactions	68.0	321.2
Others	62.0	916.2
Payment for guaranteed return on trust	379.6	898.2
Non-operating expenses	3,438.5	476.1
Losses from sales of non-performing loans	3,342.3	450.9
Others	96.2	25.2
Total Non-Interest Expenses	4,414.1	3,682.1

FINANCIAL POSITION

Asset Portfolio

The Bank's total assets outstanding as of December 31, 1999 were W26,134.5 billion, up 1.7% or W447.5 billion from W25,687.0 billion as of December 31, 1998. The increase in securities was partially offset by decreases in due from banks, loans and other assets. Securities investment increased from W5,667.9 billion to W8,295.1 billion primarily due to capital increase by the government.

ASSET PORTFOLIO

	In Billions of Korean Won	
	1999	1998
Due from banks	W 1,479.8	W 1,714.3
Loans	12,448.4	14,277.0
Securities	8,295.1	5,667.9
Others	3,911.3	4,027.8
Total Assets	26,134.5	25,687.0

During 1999, the Bank's total asset composition was changed with increasing securities in terms of both volume and share and decreasing shares of due from banks, loans and other assets. Of total assets outstanding as of year-end 1999, loans accounted for 47.6% of total assets, securities for 31.7%, other assets for 15.0% and due from banks for 5.7%. These figures compare with 55.6%, 22.0%, 15.7% and 6.7%, respectively, at year-end 1998.

Loan Portfolio

Total loans outstanding at year-end 1999 decreased 12.8% or W1,828.6 billion to W12,448.4 billion from W14,277.0 billion at year-end 1998. The decrease in loans was due to the sale of non-performing loans to KAMCO, the transfer of non-performing assets to KDIC and the decrease of assets in foreign currency. Assets in foreign currency decreased because of unfavorable FX market conditions since financial crisis in 1997.

Won-currency loans amounted to W8,804.8 billion, down 11.8% or W1,182.9 billion from the 1998 level, while foreign-currency loans decreased 29.6% or W1,717.0 billion from year-end 1998. Of total Won-currency loans outstanding at the end of 1999, corporate loans accounted for 60.9% and household loans for 19.6%. Comparable figures at the 1998 year-end were 54.2% and 13.1%, respectively.

LOAN PORTFOLIO

	In Billions of Korean Won	
	1999	1998
Won Currency	W 8,804.8	W 9,987.7
Corporate loans	5,358.9	5,412.2
Household loans	1,729.8	1,308.1
Other loans*	765.2	1,111.4
Call loans	165.8	355.5
Advances for customers	95.3	506.1
Others	689.8	1,294.5
Foreign Currency	4,083.3	5,800.3
Onshore	3,608.9	4,934.0
Offshore	304.5	596.8
Call loans	63.0	1.7
Advances for customers on guarantee	106.9	267.8
Loan loss reserves (-)	439.7	1,511.0
Total Loans	12,448.4	14,277.0

* Include loans to public sectors & others and loans with SME restructuring funds

Non-Performing Loans

Since 1999, the Finance Supervisory Commission has changed the definition of non-performing loans based on the Forward Looking Criteria (FLC). The New FSC Guidelines require, among other things, that the credit classification criteria reflect the capability of a customer to repay the credits as well as the customer's credit history. The Bank elected to reserve for loan losses based on the KFB Credit Risk Rating System (CRR system) developed by the Bank as a comprehensive new credit evaluation model based on the FLC. The Bank classifies loans into 8 levels, rating them from CRR1 to CRR8, and makes provisions of 0.5% for CRR1~CRR4('normal'), 2% for CRR5('precautionary'), 20% for CRR6('substandard'), 50% for CRR7('doubtful') and 100% for CRR8('estimated loss'). The Bank transferred loans classified as 'substandard' or below to KDIC except for loans made to the Daewoo Group companies, loans under legal composition and workout loans. In this fiscal period the Bank actually reserved 3.5% of the remaining loan amounts since KDIC guaranteed 96.5% of the classified loans.

Non-performing loans include the loans classified as substandard, doubtful and estimated losses by Asset Soundness Classification Criteria. Bad loans include estimated losses and doubtful. The Korean government agreed to buy back KFB's

defaulted loans over the next two years (three years for Daewoo & workout corporate loans). The government will also build up the relevant loan loss reserves against the newly classified non-performing loans for the two years after KFB's acquisition by Newbridge, in accordance with the Assistance Agreement. Therefore, there are no longer any non-performing loans since KDIC guaranteed the entire amount of principal and interest in accordance with the Assistance Agreement between the Korean government and KFB Newbridge Holdings Limited. However, this government guarantee does not apply to trust account products which pay out based on performance.

Taking into account all loans, including loans in banking accounts, advances for customers, local letter of credit bills, credit card loans, customers' liabilities on guarantees and loans in trust accounts, the Bank's non-performing loans amounted to W26.0 billion at the end of 1999, compared with W3,832.3 billion a year earlier. Non-profitable loans based on the New FSS Guidelines were W20.1 billion in 1999.

As of December 31, 1999, the Bank's credit exposure to the Daewoo Group companies was W2,585 billion. As of that date, W0.05 billion of credit exposure to the Daewoo Group companies was classified as precautionary, W119 billion as substandard and W2,286 billion as doubtful. No such credit exposure was classified as estimated loss.

The Bank reserved 3.5% of the remaining loans as of December 31, 1999 as loan loss reserve in accordance with the Assistance Agreement between KDIC and Newbridge Capital. The loan loss reserve will be adjusted in June, 2000 according to the Agreement.

At the end of 1999, the Bank's loans to workout companies were W1,586.8 billion net of present value discount. As of that date, W47.3 billion of credit exposure to workout companies was classified as precautionary, W851.4 billion as substandard and W810.6 billion as doubtful. No such credit exposure was classified as estimated loss. The Bank made provisions of W637.5 billion for workout loans for 1999.

The KFB is shifting from its decades-old tradition of a collateral-oriented loan system to a credit evaluation system, which puts strong emphasis on the competitiveness, technology and business prospect of the borrowing firm.

NON-PERFORMING LOANS

	In Billions of Korean Won	
	1999	1998
Total Credits	W 15,322.2	W 18,791.5
Non-performing loans (NPLs)	26.0	3,832.3
% of total credits	0.17	20.39
Non-profitable loans	20.10	n/a
% of total credits	0.13	n/a

* Non-profitable loans are based on new criteria established in 1999, thus the comparison with 1999 and 1998 is not available.

* There are no longer any non-performing loans in banking accounts since KDIC guarantees the entire amount of principal and interest in accordance with the assistance agreement.

However, the non-performing loan ratio and non-profitable loan ratio without considering the government's guarantee are 29.95% and 18.47%, respectively.

RESERVE FOR LOAN LOSSES

	In Billions of Korean Won	
	1999	1998
Balance at Beginning of Year	W 1,511.1	W 642.7
Provision for possible loan losses	-	796.8
Loans written-off	(500.4)	(226.8)
Adjustment	318.6	298.4
Reversal of sold loans to KAMCO	383.1	-
Reversal of allowance for possible loans losses	(1,268.7)	-
Balance at Year-End	443.7	1,511.1

Securities Investment Portfolio

Total investment in securities amounted to W8,295.1 billion at the end of 1999, up 46.4% or W2,627.2 billion from W5,667.9 billion at the end of 1998. The increase in total securities investment was primarily due to a 62.4% increase in Won currency securities investment.

Of the total, foreign currency securities were W198.4 billion, down from W683.0 billion at year-end 1998. Won currency securities rose by 62.4% or W3,111.8 billion from W4,984.9 billion to W8,096.7 billion during the year, primarily led by a 207.6% increase in corporate bonds. Corporate bonds increased to W6,437.8 billion from W2,092.7 billion at year-end 1998. Government & public bonds amounted to W703.7 billion, up 2.8% or W19.3 billion from W684.4 billion a year earlier.

As of December 31, 1999, total investment in securities represented 31.7% of total assets in the bank accounts, compared to 22.0% of total assets as of December 31, 1998.

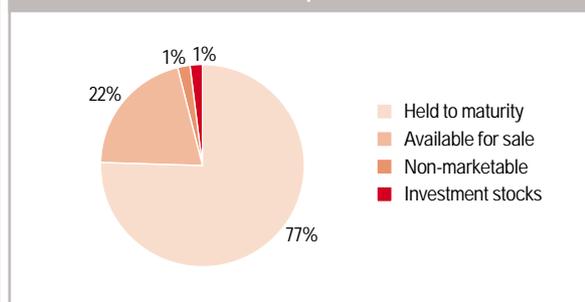
As of December 31, 1999, corporate bonds constituted 77.6% of all securities held in the bank accounts, government & public bonds constituted 8.7%, financial debentures constituted 4.9% and foreign currency securities constituted 2.4% of securities in the bank accounts.

SECURITIES INVESTMENT PORTFOLIO

	In Billions of Korean Won	
	1999	1998
Won Currency	W 8,096.7	W 4,984.9
Government & Public bonds	703.7	684.4
Financial debentures	409.7	542.9
Corporate bonds	6,437.8	2,092.7
Equity	33.3	1,225.7
Other securities	512.1	439.2
Foreign Currency	198.4	683.0
Onshore	164.0	644.4
Offshore	34.4	38.6
Total Securities Investment	8,295.1	5,667.9

Of the total securities, held to maturity, available for sale and others represented 76.7%, 21.4% and 2.0%, respectively at December 31, 1999. In making securities investments, the Bank's principal objectives are to maintain the stability and diversification of the Bank's assets and match the maturity of its funding and investments.

Securities Investment Composition



Funding Structure

The Bank's principal source of funding is customer deposits. Deposits constituted 60.1% of the total funding sources of the bank accounts as of the end of 1999 compared to 47.9% at the end of the previous year. The Bank's other source of funding consists principally of borrowings. The portion of borrowings decreased to 23.8% from 27.8%. As of December 31, 1999, KFB's total liabilities amounted to W25,153.9 billion, down from W28,865.6 billion as of end of 1998. The decrease was partially from a decrease of allowances and borrowings. Borrowings decreased from W8,030.7 billion to W6,229.4 billion.

FUNDING STRUCTURE

	In Billions of Korean Won	
	1999	1998
Deposits	W 15,698.0	W 13,863.1
Borrowings	6,229.4	8,030.7
Other liabilities	3,226.5	6,971.8
Stockholders' equity	980.6	48.5
Total Funding	26,134.5	28,914.1

Deposits

At the end of 1999, the Bank posted total deposits of W15,698.0 billion, compared with W13,863.1 billion in 1998. This increase was primarily due to a 22.0% increase in Won currency deposits, especially time & saving deposits. Time & savings deposits increased 22.0% or W2,168.7 billion to W12,024.6 billion at the 1999 year-end from W9,855.9 billion at the 1998 year-end, reflecting the strong sales performance of the Bank's new products and aggressive marketing activities.

Won currency deposits increased 13.3% or W1,726.6 billion to W14,661.5 billion from W12,934.9 billion at the end of the previous year. Foreign currency deposits also increased 11.7% to W1,036.6 billion at December 31, 1999. The increase in deposits in Korean Won reflected the widespread unpredictable economic environment that made people prefer low risk investments and the inflow of funds from investment trust companies as they experienced financial difficulties.

DEPOSITS

	In Billions of Korean Won	
	1999	1998
Won Currency	W 14,661.5	W 12,934.9
Demand	2,390.8	2,580.1
Time & Saving	12,024.6	9,855.9
Mutual installment	133.7	199.3
Certificates of deposits	112.4	299.6
Foreign Currency	1,036.6	928.2
Onshore	1,036.6	797.1
Offshore	-	131.1
Total Deposits	15,698.0	13,863.1

Borrowings

At December 31, 1999, the Bank's total borrowings amounted to W6,229.4 billion, down 22.4% or W1,801.3 billion from W8,030.7 billion at December 31, 1998. The decrease was primarily attributable to a 32.4% decrease in borrowings in foreign currency to W3,407.7 billion. Borrowings in Won also decreased 5.7% to W2,821.7 billion over the previous year. The decrease in borrowings reflected the Bank's efforts to procure more of its funds from lower cost sources such as deposits.

The decrease in Won currency borrowings primarily resulted from reduced borrowings from the Bank of Korea (BOK). The borrowings from BOK declined W513.3 billion from the end of the previous year as the Bank's liquidity improved thanks to the increased deposits to the Bank.

Of total borrowings, Won currency borrowings accounted for 45.3% and foreign currency borrowings for 54.7% at December 31, 1999. These figures are to be compared to 37.3% and 62.7%, respectively, at December 31, 1998.

BORROWINGS

	In Billions of Korean Won	
	1999	1998
Won Currency	W 2,821.7	W 2,992.4
From the BOK	1,251.2	1,764.5
Others	1,570.5	1,227.9
Foreign Currency	3,407.7	5,038.3
Onshore	3,209.5	4,533.9
Offshore	198.2	504.4
Total Borrowings	6,229.4	8,030.7

Capital Adequacy

Under the New FSC Guidelines, all banks in Korea are required to maintain a capital adequacy ratio (Tier 1 plus Tier 2) of at least 8% based on consolidated financial statements. At December 31, 1999, the Bank's Tier 1 and total risk-based capital ratios jumped from negative 1.27% and 1.47% at year-end 1998 to positive 6.89% and 11.44%, respectively. The big improvement in the BIS capital ratios was largely driven by the recapitalization through the capital investment in the Bank by KDIC and Newbridge Capital, and the improvement of asset quality through sale of non-performing loans to KAMCO and NPL transfer to KDIC. The total BIS capital ratio that KFB achieved in 1999 exceeded the minimum BIS ratio of 8% and qualified for the first grade of capital adequacy grade which is one of the measure of management evaluation by the Financial Supervisory Service.

During the year, KFB made great efforts to recover its soundness of assets and to privatize through the sale of the government's shares to foreign investors. KFB is expected to maintain its sound capital structure in 2000, achieving the BIS ratio of about 16% through an increase in the core capital by enhancing profitability and asset soundness.

At the end of 1999, the Bank's total risk-adjusted capital was W1,622.2 billion, compared with negative W264.8 billion a year earlier. Of the capital, core capital was W977.6 billion, compared with negative W229.7 billion in 1998. The big increase in core capital was largely driven by supplementary capital which was recorded at W667.8 billion compared with none in 1998.

Total risk-weighted assets amounted to W14,179.4 billion at the end of 1999, declining from the W18,019.9 billion reported at the previous year-end. Of the total, 87% was on-balance sheet assets and 13% was off-balance-sheet assets.

To achieve a minimum of 15% of BIS ratio, the Bank plans to issue subordinated bonds in the second half of 2000. In addition, Newbridge Capital plans to inject W200 billion into the Bank in the near future.

BIS CAPITAL RATIO

	In Billions of Korean Won	
	1999	1998
Core Capital	W 977.6	W (229.7)
Common stock	980.6	1,600.0
Capital surplus	4.6	0.0
Retained earnings	(1.0)	(1,921.7)
External shareholders' ownership in subsidiaries	0.0	92.0
Discounts on stock warrants (-)	3.7	0.0
Capital adjustment	(2.9)	0.0
Supplementary Capital	667.8	0.0
Reserve for asset revaluation	0.0	34.0
Approved reserve for credit loss	179.0	225.2
45% of evaluation profits on securities	0.0	175.0
Approved subordinated debt	488.8	0.0
Constitutions to non-consolidated subsidiaries	(23.2)	(35.1)
Total Risk-Adjusted Capital	1,622.2	(264.8)
Total Risk-Weighted Assets	14,179.4	18,019.9
On-balance sheet assets	12,348.5	15,776.2
Off-balance sheet assets	1,830.9	2,243.6
BIS Capital Ratio	11.44%	-1.47%
Tier 1 Capital Ratio	6.89%	-1.27%
Tier 2 Capital Ratio	4.71%	0.00%

The Bank transferred non-performing assets to KDIC on July 10, 1999 pursuant to the stock acquisition contract between KDIC and Newbridge Holding Limited, and received W5,856.0 billion worth of KDIC-issued bonds in return for the transfer. The KDIC bonds can be cashed for the Bank's liquidity if necessary.

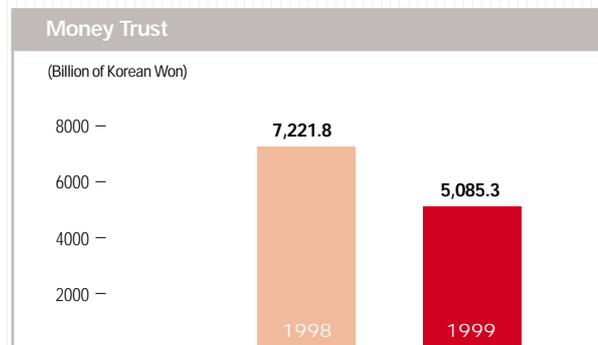
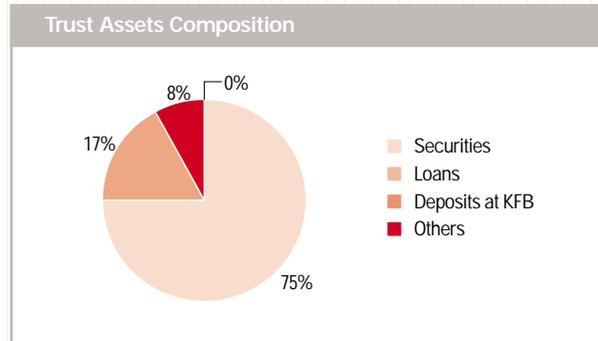
Trust Business

In compliance with the Trust Act and the Trust Business Act, the Bank has operated its trust business and maintained the books of its trust accounts and financial statements separately from those of its banking accounts since 1984. In certain circumstances, the Bank may be required to transfer funds from the bank accounts to the trust accounts to satisfy its obligations with respect to guarantees of principal of and return on certain trust accounts and to maintain the reserves in the trust accounts. Such transfers are reflected in the expenses related to the payment for guaranteed return on trusts of the bank accounts.

The Bank maintains two types of fixed rate trust accounts, general unspecified money trusts and development trusts. Korean banks, including the Bank, were restricted from establishing new general unspecified money trusts effective from January 1, 1999.

If income from a principal-guaranteed trust account is insufficient to pay the guaranteed amount, such deficiency may be satisfied from either the special reserves maintained in the trust accounts or funds transferred from the bank accounts of the Bank. This amount was W379,614 million for the year ended December 31, 1999. During 1999, the majority of Korea's commercial banks suffered from a decrease in trust accounts as customers shifted to safer savings products. Not immune to the trend, KFB's total money trusts outstanding fell from W7,221.8 billion at year-end 1998 to W5,085.3 billion at year-end 1999.

Total trust assets managed under the Bank's discretion amounted to W12,248 billion at the end of 1999. Of the bank's total assets at the end of 1999, loans, securities and other assets represented 17%, 75% and 8%, respectively. Dividends of trust profits to beneficiaries were W42.6 billion at the 1999 year-end, compared to W1,352.4 billion at its 1998 level. The decrease in the dividends of trust profits was largely attributable to the decrease in the amount of funds held in trust. Money trust at December 31, 1999 amounted to W5,085.3 billion, down 29.6% or W2,136.5 billion from W7,221.8 billion at December 31, 1998. Total trust income for 1999 was W3,269.4 billion, up from W2,671.2 billion the previous year.



RISK MANAGEMENT

KFB organized the Risk Management/Financial Control Committee in March, 2000 as a planning and executive organization. The Committee aims at profit maximization through minimizing risks, maintaining an adequate liquidity level, and obtaining stable income flow. Also since May 1996, it has been setting risk limits for comprehensive management of financial risk.

The Bank has continued its efforts to enhance its risk management system. In January 1998, to insure independence of risk management, the Risk Management Team was organized and in October 1999, a Risk Management Committee with an outside director as a member was launched. Also, non-financial risks were consolidated into its comprehensive risk management system.

The Risk Management Committee establishes the basic policy of risk management under the given bank management principles, determines risk exposure level and sets limits on each risk type. It also sets an adequate investment cap and loss limit, distributes capital based on risk assessment, enacts or revises guidelines regarding the Risk Management Committee

• Credit Risk Management

Credit risk means the possible loan loss that can be incurred by the default of debtors (borrower of loan or issuer of bonds). For loans or other transactions related to a foreign country, country risk, risk resulting from the specific economic condition of the country, should be considered in assessing credit risk.

Transactions to be assessed are both on-balance sheet transactions and off-balance sheet transactions. On-Balance Transactions include loans, loan-type securities like commercial paper (CP), commercial Papers Guaranteed, bills issued and other loan-type claims such as inter-bank loans with the Small & Medium Industry Restructuring Fund. Off-Balance Transactions include acceptances and guarantees, commitments and endorsed Bills. The assessment measure is exposure times the weighted average default rate.

Management methods are loan policy and credit approval, a credit review and compliance procedures. The loan policy is designed to prevent extensive exposure to a specific customer or industry or business group and also to enhance the Bank's credit risk management. Meanwhile, the credit approval procedure is to share growth and benefit with customers by assigning a credit line for each borrower, observing loan review principles and predicating loan policies on credit rates. Credit review and compliance aims to maintain soundness of outstanding loans by keeping close watch on the changes of the credit rating of borrowers. Loans subject to credit review and compliance are all outstanding loans.

• Market Risk Management

Interest rate risk means the variations in net interest income that can be caused by the maturity gap between assets and liabilities as the market interest rate varies. Subject items are assets and liabilities with interest. The management methods are to estimate the risk from the interest rate gap and maintain it within the limit and adjust the interest rate gap according to the interest rate forecast by the Interest Rate Forecast Working Desk and Interest Rate Forecasting System.

Price risk means the variations in the value of assets such as securities that can be caused by price fluctuations in the market. Subject items include trading securities and financial derivatives. Management methods are as follows: 1) contain

the assessed risk level within the limit, 2) conduct daily analysis and evaluation of investments using the Securities Integrated Management System (SIMS) or VaR (Value at Risk) System, 3) conduct daily analysis and evaluation of derivatives transactions using the Derivatives Transaction System (C'ats) and 4) set an investment cap per instrument and dealer, ban disproportionate investment, observe the loss-cut rule, conduct mark-to-market evaluation, and invest based on stability, liquidity and profitability.

Foreign exchange risk means the possible loss resulting from the foreign exchange position as the foreign exchange rate varies. Subject items are the foreign exchange position. Management strategies include maintaining the assessed risk level within the limit and minimizing foreign exchange risk by setting investment cap per instrument and per dealer and stop-loss limit, watching positions of each foreign currency, maintaining a square position, and conducting market-to-market evaluation.

• Liquidity Risk Management

Liquidity risk means a possible loss that can be caused by a sudden, huge withdrawal of money or by the maturity gap between assets and liabilities. Subject items are all transactions that can have influence on assets and liabilities. Managing risks using the liquidity GAP analysis technique and adjusting liquidity GAP structure through the Risk Management Committee are management strategies.

INTEREST RATE SENSITIVITY

In Billions of Korean Won

	Within 3M	4M-1Y	Over 1Y	Total
Banking Accounts				
Won Currency				
Rate Sensitive Assets	W 9,183.3	W 1,981.0	W 6,039.6	W 17,203.9
Rate Sensitive Liabilities	9,675.8	2,787.1	4,281.4	16,744.3
Accumulated Gap	(492.5)	(1,298.6)	459.6	
Accumulated Assets/Liabilities	94.9%	89.6%	102.7%	
Foreign Currencies*				
Rate Sensitive Assets	\$ 3,220.0	\$ 706.0	\$ 127.0	\$ 4,053.0
Rate Sensitive Liabilities	3,676.0	454.0	0.0	4,130.0
Accumulated Gap	(456.0)	(204.0)	(77.0)	
Accumulated Assets/Liabilities	87.6%	95.1%	98.1%	
Trust Accounts				
Rate Sensitive Assets	W 2,849.1	W 134.2	W 100.9	W 3,084.2
Rate Sensitive Liabilities	816.4	1,626.5	27.6	2,470.5
Accumulated Gap	2,032.7	540.4	613.7	
Accumulated Assets/Liabilities	349.0%	122.1%	124.8%	

* In millions of U.S. Dollars

MATURITY GAP

In Billions of Korean Won

	Within 3M	3M-6M	6M-1Y	Over 1Y	Total
Banking Accounts					
Won Currency					
Assets	W10,378.1	W 1,357.7	W 2,506.8	W 9,831.9	W 24,074.5
Liabilities	9,993.3	1,096.9	2,911.7	10,392.2	24,394.1
Accumulated Gap	384.8	645.6	240.7	(319.6)	
Accumulated Assets/Liabilities	103.9%	105.8%	101.7%	98.7%	
Foreign Currencies*					
Assets	\$ 2,418.0	\$ 375.0	\$ 489.0	\$ 1,507.0	\$ 4,789.0
Liabilities	2,456.0	1,642.0	235.0	177.0	4,510.0
Accumulated Gap	(38.0)	(1,305.0)	(1,051.0)	279.0	
Accumulated Assets/Liabilities	98.5%	68.2%	75.7%	106.2%	
Trust Accounts					
Assets	W 4,000.7	W 328.6	W 544.0	W 1,499.1	W 6,372.4
Liabilities	1,212.0	1,051.6	2,076.2	2,032.6	6,372.4
Accumulated Gap	2,788.7	2,065.7	533.5	0.0	
Accumulated Assets/Liabilities	330.1%	191.3%	112.3%	100.0%	

* In millions of U.S. Dollars

Workout Program

As of March 31, 2000, the Bank is managing the workout programs for 44 companies out of 79, the total number of workout companies in Korea. Of the 44 companies, 5 are under the Bank's supervision and 39 are under others' supervision. The 44 companies have defined the workout program schedules and MOU settlements. However, 12 companies have readjusted their debts and determined 2nd workout programs, and, among these 12 companies, 6 companies settled 2nd MOUs.

The 5 companies under the Bank's supervision are the 3 Shinho Group companies (Shinho Paper Manufacturing Co., Shinho Petrochemical Co., Tongyang Iron Pipe Co.), Dongkuk Trading and Macson Electronics Co., Ltd. The 5 companies have determined debt adjustment plans, and one of those companies, Macson Electronics Co., Ltd., settled a 2nd MOU.

• Up to the 6th largest debtor company

As of the end of March 2000, 32 client companies defined workout programs. The debt restructuring plans and results are as follows:

- Reduction and exemption of interest payments and preferential interest rates: W1,074.1 billion (203.9% of plan)
- Conversion to capital investment: W103 billion (100% of the Bank's portion)
- Acquisition of convertible bonds: W160 billion (100% of the Bank's share)
- New loans: total W201.1 billion (operating funds W66.4 billion, trade finance W134.7 billion) (99.2% of plan)

• 12 Daewoo Group companies

The debt restructuring plans and results for the 12 Daewoo Group companies are as follows:

- Reduction and exemption of interest payments and preferential interest rates: W2,104.9 billion (54.9% of plan)
- Conversion to capital investment: W11 billion (4.2% of plan)
- Acquisition of convertible bonds: W338.4 billion planned (0% of plan)
- New loans: total W631.4 billion (operating funds W124.5 billion, trade finance W506.9 billion) (42.1% of plan)

Report of Independent Accountants

SAMIL ACCOUNTING CORPORATION

PRICEWATERHOUSECOOPERS

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To the Board of Directors and Shareholders of Korea First Bank

We have audited the accompanying balance sheet of Korea First Bank ("the Bank") as of December 31, 1999, and the related statements of operations, disposition of accumulated deficit and cash flows for the year then ended, expressed in Korean Won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 misstatements. 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 audit provides 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, 1999, and the results of its operations, the changes in its accumulated deficit and its cash flows for the year then ended, in accordance with financial accounting standards generally accepted in the Republic of Korea.

As discussed in Note 2 to the financial statements, during 1999, the Bank changed its method of accounting and presentation for certain items in accordance with revised financial accounting standards. The accounting changes include accounting treatment for the valuation of securities, deferred taxes and stock issuance costs. In addition, the financial statements for the year ended December 31, 1998 are not presented herein for comparative purpose pursuant to the addendum to the revised financial accounting standards.

As discussed in Note 26 to the financial statements, the terms of investment ("TOI") between the Korean government and Newbridge Capital Limited ("NC") were agreed upon on September 17, 1999. On December 30, 1999, NC entered into an agreement with the Korean government whereby NC would acquire 50.99% of the outstanding common stock of the Bank from Korea Deposit Insurance Corporation ("KDIC") for cash proceeds of W500 billion. In order to fix the value of the NC investment, NC and KDIC entered into a contract whereby KDIC would contribute additional funds to the Bank in order to increase the total net assets of the Bank to W980.6 billion (based on NC's 50.99% investment being valued at W500 billion) as of December 31, 1999. Based upon the preliminary analysis of management, the required contribution of KDIC under such agreement was W209.8 billion, which has been recorded as a gain on assets contributed and other receivable as of December 31, 1999. This calculated amount is subject to change based upon the final closing of the transaction. Also in connection with this transaction, KDIC has guaranteed the values of certain loans and investments held by the Bank, such that future losses on such assets in excess of amounts reserved as of December 31, 1999 will be compensated by KDIC.

As discussed in Note 27 to the financial statements, on July 10, 1999, the Bank entered into a recapitalization plan under which 83% of the existing common shares (amounting to W1,328 billion) of the Bank were extinguished and 841,720 thousand new shares were issued to KDIC for cash proceeds of W4,208,600 million. Such cash proceeds were immediately reinvested into bonds issued by KDIC. The prior shareholders received no direct compensation under the recapitalization plan, however nearly all of such prior shareholders (excluding KDIC and the Korean government) exercised putback options under the plan, effectively selling such shares back to the Bank for W17,923 million. Such shares were immediately retired upon acquisition by the Bank.

On December 29, 1999, immediately prior to the transaction with NC, the Bank entered into another recapitalization plan under which 700,023 thousand shares owned by KDIC and Ministry of Finance and Economy were cancelled for compensation of W1,461 billion. Such compensation came in the form of a return of W1,418 billion of KDIC bonds held by the Bank and W43 billion of cash. The returned bonds were a part of the bonds issued by KDIC to the Bank as a part of the July 1999 recapitalization.

As previously discussed, the transactions described above among the Korean government, KDIC and NC are subject to certain adjustments based on the final closing of the transaction. In particular, the amount of assets to be contributed to the Bank by KDIC in order to fix a net asset value of W980.6 billion and the amount of required loan loss and investment valuation reserves required to maintain such a value have been estimated by management as of December 31, 1999. Actual amounts could differ from such estimates. Such differences should not impact the value of the net assets of the Bank due to the guarantees provided by KDIC.

As discussed in Note 7 to the financial statements, on July 9, 1999, the Bank entered into a contract with Korea Assets Management Corporation ("KAMCO") to sell certain non-performing loans (excluding guarantees, performance trust loans, non-exposure type securities and workout loans) for the amount of W4,504 billion. The Bank incurred a W3,101 billion loss from the sale.

Without qualifying our opinion, we draw attention to Note 16 to the financial statements. The operation 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 have been or are in the process of restructuring loans with their creditor banks. The ultimate effect of these significant uncertainties on the financial position of the Bank as of balance sheet date cannot presently be determined and accordingly, no adjustments have been made in the accompanying financial statements related to such uncertainties other than those adjustments disclosed in these financial statements.

The amounts expressed in U.S. Dollars, provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying 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 Korea. The standards, procedures and practices used to audit such financial statements are those generally accepted and applied in Korea.

Samil Accounting Corporation

Seoul, Korea
March 24, 2000

Non-Consolidated Balance Sheet (Banking Accounts)

December 31, 1999	In Millions of Korean Won	In Thousands of U.S. Dollars (Note 3)
	1999	1999
ASSETS		
Cash and due from banks (Note 4)	W 2,767,732	\$ 2,416,389
Trading securities (Note 5)	771,671	673,713
Investment securities (Note 6)	7,523,394	6,568,355
Loans (Note 7)	12,888,035	11,251,995
Allowance for possible loan losses (Note 7)	(439,673)	(383,859)
Premises and equipment (Note 8)	1,106,808	966,307
Intangible assets (Note 8)	1,360	1,187
Other assets	1,515,220	1,322,874
Total assets	W 26,134,547	\$ 22,816,961
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits (Note 9)	W 15,698,014	\$ 13,705,268
Borrowings (Note 10)	6,229,419	5,438,641
Debentures (Note 11)	459,941	401,555
Accrued severance benefits (Note 13)	244,549	213,505
Other liabilities (Note 14)	2,522,040	2,201,886
Total liabilities	W 25,153,963	\$ 21,960,855
Commitments and contingencies (Note 15)		
Common stock, par value: W5,000;		
Authorized: 1,600 million shares, issued and outstanding:		
196,116,800 shares (Notes 1 and 16)	W 980,584	\$ 856,106
Accumulated deficit (Note 17)	—	—
Capital adjustments	—	—
Total shareholders' equity	W 980,584	\$ 856,106
Total liabilities and shareholders' equity	W 26,134,547	\$ 22,816,961

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

Non-Consolidated Statement of Operations (Banking Accounts)

	In Millions of Korean Won	In Thousands of U.S. Dollars (Note 3)
for the year ended December 31, 1999	1999	1999
OPERATING REVENUE		
Interest on due from banks	W 80,203	\$ 70,022
Interest on trading securities	58,987	51,499
Interest on investment securities	435,637	380,336
Interest on loans	1,096,271	957,108
Other interest income	30,918	26,993
Commission income	189,870	165,767
Other operating income	1,610,972	1,406,471
	<u>3,502,858</u>	<u>3,058,196</u>
OPERATING EXPENSES		
Interest on deposits	849,216	741,413
Interest on borrowings	493,392	430,760
Interest on debentures	45,564	39,780
Other interest expenses	88,732	77,468
Commission expense	33,270	29,047
Other operating expenses	526,381	459,561
Selling and administrative expense (Note 18)	415,963	363,160
	<u>2,452,518</u>	<u>2,141,189</u>
Operating Income	1,050,340	917,007
Non-operating income (Note 19)	1,174,272	1,025,207
Non-operating expense (Note 19)	(3,438,484)	(3,001,994)
Ordinary loss	(1,213,872)	(1,059,780)
Extraordinary gains	209,800	183,167
Loss before income tax expense	(1,004,072)	(876,613)
Income tax expense (Note 20)	(587)	(512)
Net loss (Note 21)	W (1,004,659)	\$ (877,125)
Ordinary loss per share	W (2,059)	\$ (1.80)
Net loss per share	W (1,703)	\$ (1.49)

(In Korean Won and U.S. Dollars)

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

Non-Consolidated Statement of Disposition of Accumulated Deficit (Banking Accounts)

December 31, 1999	In Millions of Korean Won	In Thousands of U.S. Dollars (Note 3)
	1999	1999
Accumulated deficit before disposition		
Undisposed accumulated deficit carried over from prior years	W (1,686,961)	\$ (1,472,814)
Cumulative effects of accounting changes	(668,559)	(583,691)
Transfer to other reserves	(842)	(735)
Net loss	(1,004,659)	(877,125)
	<u>(3,361,021)</u>	<u>(2,934,365)</u>
Disposition		
Transfer from capital surplus	3,349,426	2,924,242
Depreciation of discounts on stock issuance	(2,530)	(2,209)
	<u>3,346,896</u>	<u>2,922,033</u>
Undisposed accumulated deficit carried to subsequent year	W (14,125)	\$ (12,332)

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

Non-Consolidated Statement of Cash Flows (Banking Accounts)

	In Millions of Korean Won	In Thousands of U.S. Dollars (Note 3)
for the year ended December 31, 1999	1999	1999
CASH USED IN OPERATING ACTIVITIES:		
Net income	W (1,004,659)	\$ (877,125)
Items not affecting operating cash flows		
Depreciation and amortization	40,205	35,100
Retirement allowance	48,493	42,337
Loss on sale of tangible assets	3,508	3,063
Loss on valuation of trading securities	9,208	8,040
Loss on reduction of investment bond	13,275	11,590
Loss on valuation of investments using the equity method	5,266	4,598
Amortization of discounts on debenture	43	37
Gain on disposition of tangible assets	(1,529)	(1,335)
Profit from valuation of investments using the equity method	(5,996)	(5,235)
Gain on recovery of provision	(1,268,716)	(1,107,662)
Interest on present value discount account	(30,131)	(26,306)
Gain on valuation of trading securities	(14,355)	(12,533)
Profit on valuation of investment securities	(63,090)	(55,081)
Extraordinary profit from KDIC protection	(209,800)	(183,168)
Recovery of credit loss reserves for guarantees	(9,978)	(8,711)
Changes in accrual basis accounts, net	254,950	222,586
	<u>(2,233,306)</u>	<u>(1,949,805)</u>
CASH PROVIDED BY INVESTING ACTIVITIES:		
Disposition of tangible assets	115,349	100,706
Decrease in guaranteed money	49,141	42,903
Acquisition of tangible assets	(23,936)	(20,897)
Acquisition of intangible assets	(310)	(271)
	<u>140,244</u>	<u>122,441</u>
CASH PROVIDED BY FINANCING ACTIVITIES:		
Issuance of capital stock	4,205,227	3,671,405
Decrease in borrowings	(1,648,594)	(1,439,317)
Reduction of capital stock	(1,478,589)	(1,290,893)
Decrease in financial debentures	(274,409)	(239,575)
Decrease in borrowings from trust accounts	(222,828)	(194,542)
	<u>580,807</u>	<u>507,078</u>
Net increase in cash and cash equivalents	(1,512,255)	(1,320,286)
Cash and cash equivalents at the beginning of the year	3,133,580	2,735,795
Cash and cash equivalents at the end of the year	W 1,621,325	\$ 1,415,509

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

Notes to Non-Consolidated Financial Statements

December 31, 1999

1. The Bank:

Korea First Bank ("the Bank") was established in 1929 under the name of Chosun Savings Bank and changed its name to Korea First Bank in 1958. The Bank is engaged in the banking and trust business according to the provisions of the General Banking Act and the Trust Business Act and operates through 336 local branches and 4 overseas networks as of December 31, 1999.

In March 1956, the Bank listed its shares on the Korean Stock Exchange. The par value of the Bank's common stock outstanding at December 31, 1999 is W980,584 million.

As of December 31, 1999, Newbridge Capital ("NC") was the major controlling shareholder of the Bank. NC acquired 50.99% of the Bank's equities from Korea Deposit Insurance Corporation ("KDIC") on December 30, 1999. As of December 31, 1999, KDIC and Ministry of Finance and Economy have a 45.92% and 3.09%, respectively, of the Bank's equities (see Note 25).

2. Summary of Significant Accounting Policies:

The significant accounting policies followed by the Bank in the preparation of its financial statements are summarized below. The financial statements for the year ended December 31, 1998 are not presented herein for comparative purposes pursuant to the addendum to the revised financial accounting standards.

Basis of Financial Statement Presentation -

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

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

The accompanying financial statements have been extracted from the Company's Korean language financial statements that were prepared using accounting principles, procedures and reporting practices generally accepted in the Republic of Korea. These standards vary from international accounting standards and the accounting principles generally accepted in the country of the reader. The financial statements have been translated from Korean into English, and have been formatted in a manner different from the presentation under Korean financial statement practices. Certain supplementary information included in the Korean language statutory financial statements but not required for a fair presentation of the Company's financial position, results of operations, or cash flows is not presented in the accompanying financial statements. Accordingly, the

accompanying financial statements are not intended to present the financial position, results operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Korea.

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

Accounting Changes -

During 1999, the Bank changed its method of accounting and presentation for certain items in accordance with revised financial accounting standards. The accounting changes include accounting treatment for the valuation of securities, valuation of troubled debt restructurings, reserve for possible losses on guarantees and acceptances, deferred taxes, prior period adjustments and stock issuance costs.

The W668,559 million cumulative effect on assets and liabilities was deducted from beginning balance of the retained earnings or capital adjustments pursuant to the addendum to the revised financial accounting standards (see Note 17).

Recognition of Interest Income -

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

In this fiscal period, interest receivables from certain delinquent loans were recognized since KDIC guaranteed to pay the principal and interest (including for overdue interest) held by the Bank as of December 31, 1999. However, interest receivable on loans categorized as substandard or below, including loans to Daewoo group, and companies in court mediation and workout, were not adjusted according to the special agreement with KDIC. Interest receivable from loans categorized as substandard or below, but not reflected in the financial statements as of December 31, 1999, amounts to W27,224 million.

Allowance for Possible Loan Losses -

During 1999, the Bank changed its method for calculating the allowance for possible loan losses of corporate loans. The new method reflects the borrower's future debt service capacity ("Forward Looking Criteria (FLC)"), rather than sole past performance. This credit rating model includes financial and non-financial factors of borrowers. Provisions are determined by applying the following minimum percentages to the various credit ratings:

Credit ratings	Loan classifications	Provision percentages
1 - 4	Normal	0.5% or above
5	Precautionary	2% or above
6	Substandard	20% or above
7	Doubtful	50% or above
8	Estimated loss	100%

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

However, as of December 31, 1999, the Bank provided an actual reserve of only 3.5% of loan amounts as agreed between KDIC and NC (see Note 25). Differences between the actual amount of cash collection and the 3.5% reserve retained to loans outstanding as of December 31, 1999 will be reimbursed or refunded by KDIC.

Securities -

In accordance with the revised financial accounting standards, the Bank changed its method of valuing and classifying securities.

The valuation method for marketable bonds denominated in Won currency was changed from cost to market value. The method of accounting for unrealized gains on investment securities accounted for using the equity method was changed from charging to shareholders' equity to being recognized as current operations.

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

Trading securities are carried at their market values at the balance sheet date. Unrealized gains and losses on trading securities are included in current operations.

All investment in equity and debt securities are initially carried at cost, including incidental expenses. In the case of debt securities, cost includes the premium paid or discount received at the time of purchase. The following paragraphs describe the subsequent accounting for securities by type of securities.

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

Investments in non-marketable equity securities of non-controlled investees are carried at cost, except for declines in the Bank's

proportionate ownership of underlying book value of the investee which are anticipated to be permanent, which are recorded in current operations. Subsequent recoveries are also recorded in current operations up to the original cost of the investment.

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

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

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

During 1999, the Bank did not post losses on the valuation of investment stocks as described above due to the guarantee between KDIC and NC (see Note 25).

Premises and equipment -

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

Depreciation is computed using the declining-balance method (the straight-line method for buildings purchased after January 1, 1995) over the estimated useful lives of the assets as described as below.

	Estimated Useful Life-years
Building, structures and auxiliary facilities	6 - 60
Vehicles, furniture and fixtures	3 - 20
Structures in leased offices	5

Intangible Assets -

Intangible assets are stated at cost, net of accumulated amortization, and amortized using the straight-line method over estimated useful lives of 5 years.

Present Value Discounts -

In accordance with the revised financial accounting standards, if the present value of a loan is different from its book value due to a rescheduling of terms as agreed by the related parties (as in the case of court receivership, court mediation or workout), the present value of the loans is offset against the allowance for possible loan losses, if available, or charged to current expense.

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

In 1999, however, the Bank did not reflect the present value discount amounts for such loans because the agreement between KDIC and NC stipulates that KDIC will compensate for the difference between book value and present value (see Note 25).

New Stock Issuance Costs and Debenture Issuance Costs -

Pursuant to the revised financial accounting standards, new stock issuance costs and debenture issuance costs, which had been recorded as deferred charges until December 31, 1998, are deducted from paid-in capital in excess of par value or long-term debt. Debenture issuance costs are amortized over the redemption period as interest expense using the effective interest rate method.

Foreign Currency Translation -

Assets and liabilities denominated in foreign currencies are translated into Korean Won using the exchange rate of W1,145.4:US\$1, exchange rate in effect as of the balance sheet date, except for spot and forward exchange contracts which are valued at the rates specified in the contracts. Resulting translation gains or losses are charged to current operations.

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

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

Accrued Severance Benefits -

Directors and employees with more than one year of service are entitled to receive a lump-sum payment upon termination of their employment with the Bank, based on their length of service and rate of

pay at the time of termination. Accrued severance benefits represent the amounts to be paid if all eligible employees and directors were to terminate their employment as of the balance sheet date. Actual payments of severance benefits for the year ended December 31, 1999 were W49,468 million.

Reserve for Possible Losses on Acceptances and Guarantees -

Pursuant to the revised financial accounting standards, acceptances and guarantees outstanding do not appear on the balance sheet, but are presented as off-balance sheet items in the notes to the financial statements. The Bank provides a provision of 20% of guaranteed amounts for companies classified as "substandard," 50% for "doubtful" and 100% for "estimated loss."

However, the Bank did not account for the guarantee provisions in accordance with the agreement that KDIC is responsible for the guarantees as of the end of this fiscal period (see Note 25).

Income Tax Expenses -

Pursuant to revised financial accounting standards, the Bank changed its method of accounting for income taxes expenses from the current tax method to the deferred tax method in 1999.

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

Gains (losses) on prior period adjustments -

Pursuant to the revised financial accounting standards, prior period adjustments, which had been reported as current gains (losses) through December 31, 1998, are now recorded as an adjustment to the beginning balance of retained earnings.

Derivative Financial Instruments -

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

Derivative financial instruments entered into for trading purposes are valued at current market prices. Resulting unrealized valuation gains or losses are reflected in other revenues and expenses. Derivative financial instruments used for hedging purposes are accounted for in a manner consistent with the accounting treatment appropriate for the transactions hedged or associated with such contracts.

Such instruments are valued at fair value when the underlying transactions are valued at market, and resulting unrealized valuation gains or losses are recognized currently. The instruments are not marked-to-market when the underlying transactions are not required to be valued at market. The unrealized gains or losses on hedging transactions arising from different rates between derivatives and underlying transactions are amortized through the term of the underlying transactions.

Translation of financial statements of overseas branches -

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

3. United States Dollar Amounts:

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

convenience of the reader. All Won amounts are expressed in U.S. Dollar at the rate of W1,145.4:US\$1, the basic exchange rate on December 31, 1999. This presentation is not required by or in accordance with Korean or United States generally accepted accounting principles, and should not be construed as a representation that the Won amounts shown could be converted in or settled in U.S. Dollar at this or any other rate.

4. Cash and Due from Banks:

Cash and due from banks at December 31, 1999 are summarized as follows:

	Millions of Won
Cash on hand	W 1,263,925
Foreign currencies	23,962
Due from banks in Won currency	1,202,624
Due from banks in foreign currencies	277,221
	<u>W 2,767,732</u>

Due from banks in Won currency at December 31, 1999 are summarized as follows (millions of Won):

Type	Interest rate (%)	Depository	Total
Checking accounts	-	Bank of Korea	W 369,641
Time deposits	6.30	Tongyang Merchant Banking etc.	200,000
Employee's retirement deposit	7.50	Samsung Life Insurance etc.	237,600
Other deposits	4.96 ~ 6.46	The Bank's trust department etc.	395,383
			<u>W 1,202,624</u>

Other deposits include W394,422 million borrowed from Korea Deposit Insurance Corporation and loaned to Hanarum Merchant Bank through trust accounts.

Checking accounts deposited with the Bank of Korea represent reserves required under the General Banking Act for the payment of deposits. At December 31, 1999, W237,600 million included in due from banks represent group severance deposits made under a group severance insurance plan.

Due from banks in foreign currencies at December 31, 1999 are as follows (millions of Won):

Type	Interest rate (%)	Depository	Total
Demand deposits	-	Bank of Korea and others	W 36,238
Time deposits	5.9 ~ 7.9	Citi Bank and others	237,098
Other deposits	4.0 ~ 5.3	Bank of Korea and others	3,885
			<u>W 277,221</u>

Demand deposits amounting to W10,450 million with the Bank of Korea represent reserves required under the General Banking Act for the payment of deposits.

The term structure of amounts due from banks at December 31, 1999 is as follows (millions of Won):

Year Ending December 31,	Due from Banks in Won Currency	Due from Banks in Foreign Currency	Total
2000	W 965,024	W 277,221	W 1,242,245
2001	-	-	-
2002	44,550	-	44,550
2003	-	-	-
2004	-	-	-
Thereafter	193,050	-	193,050
	<u>W 1,202,624</u>	<u>W 277,221</u>	<u>W 1,479,845</u>

5. Trading Securities:

Trading securities at December 31, 1999 comprise the following (millions of Won):

Account	Interest rate (%)	Face Value	Acquisition cost	Adjustment	Market value (*1)
Government bonds	6.47 ~ 10.05	W 167,901	W 178,691	W 174,651	W 169,374
Financial debentures	6.20 ~ 9.01	60,000	58,133	58,213	57,305
Corporate debentures	7.52	45,000	45,224	45,137	42,117
Beneficiary certificates	-	488,523	488,523	488,523	502,875
		<u>W 761,424</u>	<u>W 770,571</u>	<u>W 766,524</u>	<u>W 771,671</u>

(*1) market value does not include accrued interest related to bonds.

Trading securities are stated at market value. W14,355 million and W9,208 million of unrealized gains and losses, respectively, are recorded in the accompanying statement of operations for year ended December 31, 1999.

For the Daewoo related beneficiary certificates, a loss on valuation (amounting to W32,250 million) was not reflected due to the existence of the compensation agreement with KDIC.

At December 31, 1999, trading securities by issuers, geography of issuers, and concentration are summarized as follows (millions of Won):

- By Issuer

Issuer	Securities in Won currency	Securities in foreign currency	Total	Percentage
Middle & small business	W -	W -	W -	-
Large corporate	507,671	-	507,671	65.79
Public and other	264,000	-	264,000	34.21
	<u>W 771,671</u>	<u>W -</u>	<u>W 771,671</u>	<u>100.00</u>

- By Concentration

Issuer	Securities in Won currency	Securities in foreign currency	Total	Percentage
Manufacturing	W -	W -	W -	-
Construction	-	-	-	-
Wholesale and retail trade	-	-	-	-
Financial business	W 562,200	-	562,200	72.60
Other	W 209,471	-	209,471	27.40
	<u>W 771,671</u>	<u>W -</u>	<u>W 771,671</u>	<u>100.00</u>

- By Geography

All trading securities are issued in Korea.

6. Investment Securities:

Investment securities at December 31, 1999 comprise the following (millions of Won):

Equity investments in unlisted companies	W	5,840
Equity investments in affiliated companies		27,490
Bonds		7,291,691
Investment securities in foreign currencies		198,373
	W	<u>7,523,394</u>

Equity investments as of December 31, 1999 are summarized as follows (millions of Won) :

- Unlisted

Company	Number of shares	Ownership (%)	Book value
BC Card	653,400	14.85	5,840

- Affiliated Companies

Company	Number of shares	Ownership (%)	Acquisition cost	Net asset value	Book value
Korea First Data System	400,000	100.00	W 2,000	W 4,271	W 4,271
First Citicorp Leasing	2,750,000	49.11	11,775	47,279	23,219
			<u>W 13,775</u>	<u>W 51,550</u>	<u>W 27,490</u>

In accordance with banking regulation, equity investments in affiliated companies are valued using the equity method. W77 million of unrealized gains are charged to current operations, a W1,976 million gain on valuation of investment securities is credited to capital adjustments, and a W280,517 million decrease in retained earnings of affiliated companies is debited to opening balance of accumulated deficit.

Bonds as of December 31, 1999 are summarized as follows (millions of Won):

-Available-for-sale

Account	Interest rate (%)	Face value	Acquisition cost	Amortized cost	Carrying value (*1)
Government bonds	7.10 ~ 11.51	W 537,735	W 531,860	W 535,138	W 529,479
Financial debentures	7.01 ~ 9.86	189,000	179,900	179,563	176,182
Corporate debentures	11.00 ~ 13.76	309,748	310,676	310,389	316,526
Other	1.00	5,000	5,000	5,000	5,000
		<u>W 1,041,483</u>	<u>W 1,027,436</u>	<u>W 1,030,090</u>	<u>W 1,027,187</u>

(*1) The above carrying values are estimated using the base yield of bonds announced by the Korea Securities Dealers Association at December 31, 1999.

Bonds not intended to be held to maturity are stated at their market value. As of December 31, 1999, W2,903 million of unrealized loss are included in capital adjustment.

- Held-to-maturity

Account	Interest rate (%)	Face value	Acquisition cost	Carrying value	Market value
Government bonds	3.00 ~ 11.95	W 9,553	W 8,851	W 9,111	W 9,194
Financial debentures	1.00 ~ 6.37	180,004	176,194	176,194	176,139
Corporate debentures	9.33 ~ 11.00	6,082,222	6,079,140	6,079,199	6,079,986
		<u>W 6,271,779</u>	<u>W 6,264,185</u>	<u>W 6,264,504</u>	<u>W 6,265,319</u>

* W80 billion of financial debentures and W5,966 billion of corporate debentures are guaranteed by the government.

Bonds intended to be held to maturity are initially stated at their acquisition cost. If the market value of such bonds deteriorates significantly and is not expected to recover, they are reduced to their market value and then reclassified to bonds not intended to be held to maturity. During 1999, the cumulative aggregate difference between the acquisition cost and the carrying value of such bonds totalled W7,280 million.

However, in accordance with the agreement between KDIC and NC, the Bank recognized gains of W26,065 million due to the recovery of losses on valuation of securities.

Investment securities in foreign currencies at December 31, 1999 are as follows (millions of Won) :

- Bonds-Available-for-Sale

Currency	Interest rate (%)	Face value	Acquisition cost	Carrying value
USD	7.25	W 44,872	W 44,617	W 44,730
MYR	0.00	7,258	3,815	3,841
JPY	1.97	9,239	9,239	9,255
IDR	14.99	668	669	673
		<u>W 62,037</u>	<u>W 58,340</u>	<u>W 58,499</u>

- Bonds-Held-to-Maturity

Currency	Interest rate (%)	Face value	Acquisition cost	Book value	Market value
USD	7.09	W 88,090	W 85,342	W 86,869	W 86,713
CHF	2.69	8,795	8,420	8,417	8,417
		<u>W 96,885</u>	<u>W 93,762</u>	<u>W 95,286</u>	<u>W 95,130</u>

Bonds-held-to-maturity that decline significantly their market value and are not expected to recover are reduced to their market value and reclassified to bonds-available-for-sale. During 1999, the cumulative aggregate difference between the acquisition cost and the carrying value of such bonds totalled W5,995million.

However, in accordance with the agreement between KDIC and NC, the Bank recognized gains of W37,025 million due to recovery of losses on valuation of such securities.

- Equity securities in foreign currencies

Company	Number of shares	Ownership (%)	Acquisition cost	Equity method	Net asset value	Book value
Korea First Finance Hong Kong	7,000	100.00	W 3,436	W 35,425	W 35,425	W 35,425
Qindao International Bank	-	50.00	11,454	9,163	18,326	9,163
			<u>W 14,890</u>	<u>W 44,588</u>	<u>W 53,751</u>	<u>W 44,588</u>

Equity securities in foreign currency are valued by the equity method. W5,919 million of unrealized gains and W5,266 million of unrealized losses are charged to current operations, a W4,852 million of gain on valuation of investment securities is debited to capital adjustment, and W14,607 million decrease in retained earnings of foreign affiliated companies is debited to opening balance of accumulated deficit.

At December 31, 1999, information about investment securities by geography, issuer and concentration are summarized as follows (millions of Won):

- By Geography

Issuer	Securities in Won currency	Securities in foreign currency	Total	Percentage (*1)
KOREA	W 7,325,020	W 153,820	W 7,478,840	77.55
CHINA	-	9,163	9,163	4.62
INDONESIA	-	6,253	6,253	3.15
JAPAN	-	5,609	5,609	2.83
MALAYSIA	-	7,277	7,277	3.67
THAILAND	-	16,252	16,252	8.18
	<u>W 7,325,020</u>	<u>W 198,374</u>	<u>W 7,523,394</u>	<u>100.00</u>

(*1) Percentage are as to securities in foreign currencies.

- By Issuer

Issuer	Securities in Won currency	Securities in foreign currency	Total	Percentage
Middle & small business	W 66,320	W -	W 66,320	0.88
Large corporate	104,300	192,808	297,108	3.95
Public and other	7,154,400	5,566	7,159,966	95.17
	<u>W 7,325,020</u>	<u>W 198,374</u>	<u>W 7,523,394</u>	<u>100.00</u>

- By Concentration

Issuer	Securities in Won currency	Securities in foreign currency	Total	Percentage
Manufacturing	W 106,300	W 76,098	W 182,398	2.42
Construction	14,500	-	14,500	0.19
Wholesale and retail	14,500	2,618	17,118	0.23
Financial business	375,500	74,100	449,600	5.98
Other	6,814,220	45,558	6,859,778	91.18
	<u>W 7,325,020</u>	<u>W 198,374</u>	<u>W 7,523,394</u>	<u>100.00</u>

The maturities of trading and investment securities, except equity securities, at December 31, 1999 are as follows (millions of Won):

Year ending December 31,	Government bond	Financial debenture	Corporate debenture	Beneficiary certificate	Other	Securities in foreign currencies	Total
2000	W 147,964	W 208,981	W 315,242	W 502,875	W 5,000	W 30,722	W 1,210,784
2001	277,000	117,500	1,494,100	-	-	20,139	1,908,739
2002	116,200	58,700	4,402,000	-	-	32,726	4,609,626
2003	5,500	24,500	156,900	-	-	-	186,900
2004	130,500	-	27,500	-	-	5,835	163,835
Thereafter	30,800	-	42,100	-	-	108,951	181,851
	<u>W 707,964</u>	<u>W 409,681</u>	<u>W 6,437,842</u>	<u>W 502,875</u>	<u>W 5,000</u>	<u>W 198,373</u>	<u>W 8,261,735</u>

7. Loans:

Loans at December 31, 1999 are summarized as follows:

Account	Annual interest rate (%)	Millions of Won
Loans in Won currency		
Corporate loans (*)	5.67 ~ 11.45	W 4,051,956
Household loans	4.33 ~ 13.77	1,729,772
Other	6.89 ~ 11.58	765,154
		<u>6,546,882</u>
Loans in foreign currencies (*)	4.49 ~ 6.17	2,036,854
Call loans	4.81	228,763
Bills bought in Won	7.65~18.38	1,351,785
Bill bought in foreign currencies	9.86~10.29	1,888,984
Advances to customers	1.94	202,189
Credit card accounts	-	403,966
Bonds purchased on reselling agreement	5.12	97,200
Privately placed debentures	0.3	131,412
		<u>W 12,888,035</u>

(*) Loans to be transferred to equity included in corporate loans and loans in foreign currencies amount to W73,069 millions and W24,461 millions, respectively.

In accordance with the agreement between KDIC and NC, the Bank is to receive a protection on 96.5% of principal balances of loans outstanding as at the closing from KDIC. Accordingly, the Bank has not established a specific provision other than the 3.5% reserve at December 31, 1999. The 3.5% reserve is allocated as follows:

		Millions of Won
Allowance for:		
Loans in Won currency		W 229,141
Loans in foreign currencies		71,290
Bills bought in Won		47,313
Bills bought in foreign currencies		66,114
Advances to customers		7,077
Credit card accounts		14,139
Privately placed debentures		4,599
Other assets		3,932
		<u>W 443,605</u>

Changes in allowance for possible loan losses are as follows:

		Millions of Won
Changes in details		
Beginning balance		W 1,511,044
Increase	Adjustment to retained earnings	318,649
	Reversal of loans sold to KAMCO	383,056
Decrease	Write offs	(500,428)
	Reversal of allowance for possible loan losses	(1,268,716)
		<u>W 443,605</u>

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

	1999	1998	1997
Total loans	W 12,674,409	W 14,015,200	W 19,107,500
Allowance	443,605	1,511,044	642,652
Ratio (%)	3.50%	10.78%	3.36%

The Bank has W1,387,071 million of loans to be discounted to present value (amounting to W271,342 million) due to debt restructuring as of December 31, 1999. However, in accordance with the agreement between KDIC and NC, the bank did not reflect the present value discount.

The Bank entered into a contract with Korea Asset Management Corporation ("KAMCO") on July 9, 1999, under which it sold certain non-performing loans to KAMCO (excluding guarantees, performance trust loans, non-exposure type securities and workout loans) for W4,504 billion. The Bank incurred a W3,101 billion loss from the sale of the loans.

At December 31, 1999, loans (excluding call loans, credit card accounts and bonds purchased on reselling agreement) by geography, borrower and concentration are summarized as follows (millions of Won, %):

- By Geography			- By Borrower		
	Millions of Won			Millions of Won	
Korea	W 11,901,717	97.89%	Corporate	W 10,271,304	84.48%
Japan	252,349	2.08	Household	1,729,773	14.23
United States	693	-	Public and other	157,029	1.29
Germany	3,301	0.03		<u>W 12,158,106</u>	<u>100.00 %</u>
Others	46	-			
	<u>W 12,158,106</u>	<u>100.00%</u>			

- By Concentration

	Millions of Won	
Manufacturing	W 4,855,962	39.94 %
Construction	522,316	4.30
Wholesale and retail trade	2,559,096	21.05
Transport and communication	414,195	3.41
Financial business	1,444,115	11.88
Others	2,362,422	19.42
	<u>W 12,158,106</u>	<u>100.00 %</u>

The maturities of loans in Won currency and foreign currencies including call loans and privately placed debentures at December 31, 1999 are as follows (millions of Won):

Year ending December 31,	Loans in Won currency	Loans in foreign currencies	Total
2000	W 4,375,797	W 772,507	W 5,148,304
2001	605,159	168,127	773,286
2002	1,004,403	221,352	1,225,755
2003	692,179	653,898	1,346,077
2004	-	-	-
Thereafter	166,522	283,967	450,489
	<u>W 6,844,060</u>	<u>W 2,099,851</u>	<u>W 8,943,911</u>

8. Premises and Equipment:

Premises and equipment at December 31, 1999 comprise the following (millions of Won):

	Acquisition Cost	Accumulated depreciation	Net book value
Premises and equipment			
Land	W 796,606	W -	W 796,606
Buildings and structures	309,949	43,179	266,770
Movable property	172,333	135,635	36,698
Others	26,090	19,356	6,734
	<u>1,304,978</u>	<u>198,170</u>	<u>1,106,808</u>
Intangible assets	1,360	-	1,360
	<u>W 1,306,338</u>	<u>W 198,170</u>	<u>W 1,108,168</u>

The Bank's premises and equipment, except for land and 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. As of December 31, 1999, the government-posted prices of the Bank's land are W636,496 million.

9. Deposits:

Deposits at December 31, 1999 comprise the following (millions of Won) :

	Banks	Other financial institutes	Others	Total
Deposits in Won currency				
Demand deposits	W 7,712	W 299,991	W 2,083,083	W 2,390,786
Time & saving deposits	200,171	2,312,429	9,645,665	12,158,265
	<u>207,883</u>	<u>2,612,420</u>	<u>11,728,748</u>	<u>14,549,051</u>
Deposits in foreign currencies	-	273,354	763,209	1,036,563
Certificates of deposit	1,426	25,639	85,335	112,400
	<u>W 209,309</u>	<u>W 2,911,413</u>	<u>W 12,577,292</u>	<u>W 15,698,014</u>

The maturities of deposits at December 31, 1999 are as follows (millions of Won):

Year ending December 31,	Deposits in Won currency	Deposits in foreign currencies	Certificates of deposit	Total
2000	W 13,849,013	W 1,036,276	W 112,400	W 14,997,689
2001	454,584	287	-	454,871
2002	172,384	-	-	172,384
2003	50,720	-	-	50,720
2004	16,041	-	-	16,041
Thereafter	6,309	-	-	6,309
	<u>W 14,549,051</u>	<u>W 1,036,563</u>	<u>W 112,400</u>	<u>W 15,698,014</u>

10. Borrowings:

Borrowings at December 31, 1999 comprise the following:

	Annual interest rate (%)	Millions of Won
Borrowings in Won currency:		
Aggregate limit borrowings	3.0	W 247,892
Other borrowings from the Bank of Korea	4.6 ~ 5.0	1,003,336
Other	3.00 ~ 7.50	700,653
		<u>1,951,881</u>
Borrowings in foreign currencies		
Bank of Korea	7.99	2,526,277
Other borrowings	Libor+2.5	415,508
Off-shore borrowings	Libor+2.25	198,170
		<u>3,139,955</u>
Bonds sold under repurchase agreements		
Bills sold	4.95	101,697
Call money	6.44	65,382
	2.31 ~ 4.57	970,504
		<u>W 6,229,419</u>

The maturities of borrowings at December 31, 1999 are as follows (millions of Won):

Year ending December 31,	Borrowings in Won currency	Borrowings in foreign currencies	Bonds sold under repurchase agreements	Bills sold	Call money	Total
2000	W 1,259,272	W 3,069,379	W 101,697	W 65,382	W 970,504	W 5,466,234
2001	43,950	68,167	-	-	-	112,117
2002	70,489	-	-	-	-	70,489
2003	306,045	-	-	-	-	306,045
2004	210,734	-	-	-	-	210,734
Thereafter	61,391	2,409	-	-	-	63,800
	<u>W 1,951,881</u>	<u>W 3,139,955</u>	<u>W 101,697</u>	<u>W 65,382</u>	<u>W 970,504</u>	<u>W 6,229,419</u>

The subordinated borrowings included in Won currency borrowings as of December 31, 1999 comprise the following:

Lender	Annual interest rate (%)	Millions of Won
Samsung Life Insurance	8.50 ~ 8.78	W 94,400
Kyobo Life Insurance	8.50 ~ 8.77	87,100
Daehan Life Insurance	8.50 ~ 8.77	98,500
Dongah Life Insurance	8.50	20,000
		<u>W 300,000</u>

11. Debentures:

Debentures at December 31, 1999 comprise the following:

	Issue date	Millions of Won	Annual interest rate (%)	Due date	Listing
Won currency					
Subordinated	97-12-24	W 142,000	Public rate+2	2003.3.31	-
Discount on debenture		(9)			
		<u>141,991</u>			
Foreign currency					
Subordinated FRN(*)	96-06-26	229,080	6Libor + 0.85	2006.6.26	-
Euro-MTN	95-03-29	22,437	6Libor + 0.29	2000.6.30	-
Euro-MTN	95-06-15	20,617	6Libor + 0.35	2000.6.15	Luxembourg
Euro-MTN	95-06-28	45,816	3Libor + 0.30	2000.6.28	Luxembourg
		<u>317,950</u>			
		<u>W 459,941</u>			

(*) The Bank has the right to redeem the note (call option) at the end of year 5 and annually thereafter.

The maturities of debentures at December 31, 1999 are as follows (millions of Won):

Year Ending December 31,	Debentures issued in Won currency	Debentures issued in foreign currencies	Total
2000	W -	W 88,870	W 88,870
2001	-	-	-
2002	-	-	-
2003	141,991	-	141,991
2004	-	-	-
thereafter	-	229,080	229,080
	<u>W 141,991</u>	<u>W 317,950</u>	<u>W 459,941</u>

12. Confirmed Acceptances and Guarantees:

Acceptances and guarantees outstanding at December 31, 1999 comprise the following (millions of Won):

		Millions of Won
Acceptances and guarantees in Won currency		
Corporate debentures	W	130,030
Other		120,792
		<u>250,822</u>
Acceptances and guarantees in foreign currencies		
Acceptances		438,432
Stand-by letters of credit		145,071
Letters of guarantee		24,054
Other		247,342
		<u>854,899</u>
	W	<u>1,105,721</u>

According to the contract between KDIC and NB, all rights and responsibilities for guarantees and acceptances are transferred to KDIC. The Bank is only entitled to receive the management fees. Therefore, the Bank did not provide any reserves on the above acceptance and guarantees.

At December 31, 1999, guarantees outstanding by geography and concentration are summarized as follows (millions of Won):

- By Geography

			Millions of Won
Korea	W	1,071,152	96.87%
Japan		34,410	3.11
USA		138	0.01
Other		21	0.01
	W	<u>1,105,721</u>	<u>100.00 %</u>

- By Concentration

			Millions of Won
Manufacturing	W	909,196	82.22%
Construction		36,199	3.28
Wholesale and retail		80,316	7.27
Transport and communication		31,438	2.84
Financial business		34,611	3.13
Other		13,961	1.26
	W	<u>1,105,721</u>	<u>100.00 %</u>

13. Accrued Severance Benefits:

The changes in accrued severance benefits for the year ended December 31, 1999 are as follows (millions of Won):

	Beginning balance	Increase	Decrease	Ending balance
Accrued severance benefits	W 257,882	W 48,493	W 49,468	W 256,907
Transfer to National Pension Fund	12,928	1,465	2,035	12,358
	<u>W 244,954</u>	<u>W 47,028</u>	<u>W 47,433</u>	<u>W 244,549</u>

Severance benefits are accrued in an amount which would be payable assuming all eligible employees and directors were to terminate their employment as of the balance sheet date.

14. Other Liabilities:

Other liabilities at December 31, 1999 comprise the followings (millions of Won):

	Millions of Won	
Borrowing from trust account	W	885,974
Foreign exchange payable		21,726
Accounts payable		193,788
Accrued expenses		317,975
Unearned revenues		48,503
Domestic exchange obligation payable		703,257
Others		350,817
	W	<u>2,522,040</u>

15. Commitments and Contingencies:

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities, consisting primarily of commitments to extend credit and letters of credit. At December 31, 1999, commitments under letters of credit and endorsed notes aggregated W542,123 million and W18,215 million, respectively.

The Bank has entered into various agreements to exchange different currencies at predetermined future dates and rates. The Bank has also entered into various interest related agreements with customers, including interest swap contracts and contracts for interest rate futures. At December 31, 1999, those derivatives contracts aggregated W2,833,714 million. As of December 31, 1999, the Bank has derivative financial instruments as follows (millions of Won):

	Trading	Hedging	Total
Foreign exchange contracts	W 1,526,461	W –	W 1,526,461
Interest rate contracts	<u>1,307,253</u>	<u>–</u>	<u>1,307,253</u>
	<u>W 2,833,714</u>	<u>W –</u>	<u>W 2,833,714</u>

During the year ended December 31, 1999, W13,866 million of losses on derivatives contracts was recorded in other operating expenses.

The Bank has been named as defendant in 41 legal actions amounting to W117,755 million and US\$1,378,055, which have arisen from normal business activities. Management believes that these actions are without merit and that the ultimate liability, if any, will not materially affect the Bank's financial position.

The Bank has entered into overdraft contracts and other loan commitments. At December 31, 1999, the total loan commitment is W7,355 billion and the unused commitment is W4,823 billion.

In accordance with the Trust Business Act, the Bank recognizes, in the banking accounts, trust fees as income from trust operations. If losses are incurred on trust accounts that have guarantee of principal repayment trust terms, the losses are recognized as a loss from trust operations. Based on the financial statements of Trust Accounts prepared in accordance with the Trust Business Act, the Bank recorded W379,614 million of other operating expenses.

The operation 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 have been or are in the process of restructuring loans with their creditor banks. The ultimate effect of these significant uncertainties on the financial position of the Bank as of balance sheet date cannot presently be determined and accordingly, no adjustments have been made in the accompanying financial statements related to such uncertainties other than those adjustments disclosed in these financial statements.

16. Capital Stock:

As of December 31, 1999, the authorized common shares and the outstanding common shares are 1,600 million shares and 196,116,800 shares (at a par value of W5,000), respectively. The Bank's paid in capital is W980,584 million as of December 31, 1999 (see Notes 1 and 26).

17. Accumulated deficit:

Due to the revision of revised Korean GAAP and banking industry accounting standards, the accumulated deficit carried over from the prior year was adjusted as follows:

	Millions of Won
Before adjustment (as of January 1, 1999)	W 1,686,961
Adjustments	
Difference between book value and market value of short-term bond investments as of December 31, 1999	(13,806)
Loss from present value discount	318,649
Loss on valuation of investment in Stock Market Stabilization Fund	19,451
Provision for acceptances and guarantees	76,458
Losses on valuation of investments using the equity method	265,910
Others	1,897
	<u>668,559</u>
After adjustment	W <u>2,355,520</u>

The Bank's reserve was appropriated from the Tokyo branch amounting to W14,125 millions as of December 31, 1999 in accordance with Banking Act of Japan. This reserve is available only to offset accumulated deficit under approval of the Ministry of Finance of Japan.

18. Selling and Administrative Expenses:

Selling and administrative expenses for the year then ended December 31, 1999 comprise the following (millions of Won):

	Millions of Won
Salaries and wages	W 141,091
Provision for severance benefits	48,493
Other employee benefits	68,507
Rent	15,636
Business promotion	6,908
Depreciation & amortization	40,205
Taxes and dues	32,553
Advertising	2,528
Ordinary development expense	60,042
	<u>W 415,963</u>

19. Non-Operating Income and Non-operating Expenses:

Non-operating income for the year ended December 31, 1999 comprises the following (millions of Won):

	Millions of Won
Gain on disposition of investment securities	W 734,887
Gain on sale of loans	1,869
Recovery from loss on reduction of invested debentures	63,090
Gain on collecting of charge-offs	22,251
Others	352,175
	<u>W 1,174,272</u>

Non-operating expenses for the year ended December 31, 1999 comprise the following (millions of Won):

	Millions of Won	
Loss on disposition of investment securities	W	58,554
Loss on impairment of investment securities		13,275
Loss on sale of loans		3,342,333
Other		24,322
	W	<u>3,438,484</u>

20. Income Tax Expenses:

The Bank does not have taxable income except for overseas branches and special surtaxes related to the sale of tangible assets.

The Bank has an tax basis net operating loss carryforwards of approximately W 5,173 billion as of December 31, 1999. However, the Bank does not recognize its deferred tax asset because the Bank has recorded net loss for the preceding three years.

The Company's tax basis net operating loss carryforwards comprise the following (billions of Won):

1995	1997	1998	1999	Total
W 25	W 1,359	W 2,833	W 956	W 5,173

21. Net Loss Per Share and Ordinary Loss Per Share:

Net loss per share and ordinary loss per share for the year December 31, 1999 are calculated as follows:

- Weighted -average number of common shares outstanding

	Number of common shares outstanding	Number of days	Accumulated number of common shares
Beginning of the year	320,000,000	189	60,480,000,000
1999. 07. 09	54,419,794	1	54,419,794
1999. 07. 10	896,139,794	172	154,136,044,568
1999. 12. 29	196,116,800	3	588,350,400
		<u>365</u>	<u>215,258,814,762</u>

* Weighted-average number of common shares outstanding: $215,258,814,762 \div 365 = 589,750,177$

- Ordinary loss per share

(1) Weighted -average number of common shares outstanding: 589,750,177

(2) Ordinary loss:

Ordinary loss per income statement

W 1,214,459,274,711

Income tax expense related to ordinary loss

W 1,213,872,128,656

Ordinary loss

587,146,055

W 1,214,459,274,711

(3) Ordinary loss per share ((2) ÷ (1)): 2,059

- Net loss Per Share-

(1) Weighted -average number of common shares outstanding: 589,750,177

(2) Net loss per income statement : W1,004,659,488,774

(3) Net loss per share ((2) ÷ (1)) : W1,703

22. Assets and Liabilities Denominated in Foreign Currencies:

Significant assets and liabilities denominated in foreign currencies at December 31, 1999 comprise the following:

	Millions of Won		Thousands of US\$ equivalent	
Assets:				
Cash and deposits	W	467,074	US\$	407,785
Investment securities		198,373		170,224
Loans		3,988,830		3,661,956
Others		2,469		2,156
	W	<u>4,656,746</u>	US\$	<u>4,242,121</u>
Liabilities:				
Deposits		W1,036,562	US\$	904,992
Borrowings		3,407,691		2,975,112
Debentures		317,950		277,590
Others		37,343		32,612
	W	<u>4,799,546</u>	US\$	<u>4,190,306</u>

23. Related Party Transactions:

Significant transactions with related parties for the year ended December 31, 1999 and related account balances at December 31, 1999 are as follows (millions of Won):

	Transactions		Account Balances	
	Account	Amount	Account	Amount
Korea First Data System Co., Ltd	Interest expenses	W 6	Loan in won currency	W 21
	Other revenue	37	Other assets	879
	Other operating expenses	2,395	Deposits	336
			Other debt	81
First Citicorp Leasing Inc.	Interest income	14,877	Loans in foreign currencies	202,495
	Interest expenses	483	Deposits	17,500
Qindao International Bank	Interest income	3,073	Due from bank	35,507
	Interest expenses	2,289	Deposits	49,832
Korea First Finance Hong Kong	Interest income	9,884	Due from bank	73,292
			Call loans in foreign currencies	5,727
			Loans in foreign currencies	16,035
	Revenue transactions	W 27,871	Receivables	W 333,956
	Expense transactions	W 5,173	Payables	W 67,749

24. Employee Welfare:

The Bank provided employees with loans for housing in the amount of W98,274 million at December 31, 1999.

25. Status of privatization:

The terms of investment ("TOI") between the Korean government and Newbridge Capital Limited ("NC") were agreed upon on September 17, 1999. On December 30, 1999, NC entered into an agreement with the Korean government whereby NC would acquire 50.99% of the outstanding common stock of the Bank from Korea Deposit Insurance Corporation ("KDIC") for cash proceeds of W500 billion. In order to fix the value of the NC investment, NC and KDIC entered into a contract whereby KDIC would contribute additional funds to the Bank in order to increase the total net assets of the Bank to W980.6 billion (based on NC's 50.99% investment being valued at W500 billion) as of December 31, 1999. Based upon the preliminary analysis of management, the required contribution of KDIC under such agreement was W209.8 billion, which has been recorded as a gain on assets contributed and other receivable as of December 31, 1999. This calculated amount is subject to change based upon the final closing of the transaction. Also in connection with this transaction, KDIC has guaranteed the values of certain loans and investments held by the Bank, such that future losses on such assets in excess of amounts reserved as of December 31, 1999 will be compensated by KDIC.

As previously discussed, the transactions described above among the Korean government, KDIC and NC are subject to certain adjustments based on the final closing of the transaction. In particular, the amount of assets to be contributed to the Bank by KDIC in order to fix a net asset value of W980.6 billion and the amount of required loan loss and investment valuation reserves required to maintain such a value have been estimated by management as of December 31, 1999. Actual amounts could differ from such estimates. Such differences should not impact the value of the net assets of the Bank due to the guarantees provided by KDIC.

As part of the Acquisition Agreement, the Bank transferred to KDIC loans, securities and due from banks amounting to W3,095 billion on December 31, 1999 from Bank accounts and W524 billion from Trust accounts.

In accordance with the acquisition & transfer agreement of shareholder's equity, KDIC and NC have agreed on post-closing adjustments within three months after closing, and the significant contents to be reflected on balance sheet as of December 31, 1999 are as follows.

1) Loans

- Loans (other than Daewoo Group loans, private settlement loans and workout loans) classified as substandard or below (Classified Loans) shall be transferred to an entity designated by KDIC.
- The Bank shall retain the "Initial Reserve" equal to 3.5% of book value of each remaining loan and losses that could be occurred for a certain periods shall be protected by KDIC.
- The differences between book value and present value due to restructuring of credit shall be protected by KDIC.

- Interest that is accrued, unpaid, in arrears or capitalized as principal in accordance with remaining loan and interest in which default rate is applied shall be protected by KDIC.
- Any losses that can be occurred in accordance with guarantee shall be protected by KDIC.

2) (Investment) Securities

- Securities (other than any securities valued using the equity method) that are retained by the Bank shall be guaranteed at an appropriate interest rate by KDIC.
- Losses on redemption of investment securities shall be protected by KDIC.

26. Reduction of Capital and Paid in capital:

On July 10, 1999, the Bank entered into a recapitalization plan under which 83% of the existing common shares (amounting to W1,328 billion) of the Bank were extinguished and 841,720 thousand new shares were issued to KDIC for cash proceeds of W4,208,600 million. Such cash proceeds were immediately reinvested into bonds issued by KDIC. The prior shareholders received no direct compensation under the recapitalization plan, however nearly all of such prior shareholders (excluding KDIC and the Korean government) exercised putback options under the plan, effectively selling such shares back to the Bank for W17,923 million. Such shares were immediately retired upon acquisition by the Bank.

On December 29, 1999, immediately prior to the transaction with NC, the Bank entered into another recapitalization plan under which 700,023 thousand shares owned by KDIC and Ministry of Finance and Economy were cancelled for compensation of W1,461 billion. Such compensation came in the form of a return of W1,418 billion of KDIC bonds held by the Bank and W43 billion of cash. The returned bonds were a part of the bonds issued by KDIC to the Bank as a part of the July 1999 recapitalization.

Supplementary Information

Financial Statements Of Trust Accounts

To Korea First Bank

We have audited the financial statements of Korea First Bank ("the Bank") as of December 31, 1999. We have also audited the accompanying financial statements of the Bank's trust accounts as of December 31, 1999. We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank's trust accounts as of December 31, 1999, and the results of their operations and their cash flows for the year then ended in accordance with the Trust Business Act and related regulations.

Attachments :

- Balance Sheet of Trust Accounts
- Statement of Operations of Trust Accounts
- Statement of Cash Flows of Trust Accounts
- Notes to Financial Statements of Trust Accounts

Non-Consolidated Balance Sheet (Trust Accounts)

December 31, 1999	In Millions of Korean Won	In Thousands of U.S. Dollars (Note 3)
	1999	1999
ASSETS		
Loans	W 1,171,767	\$ 1,023,020
Call loans	907,000	791,863
Bonds purchased on reselling agreement	12,304	10,742
Securities	9,169,708	8,005,682
Money receivable	5	4
Cash and due from banking accounts	10,498	9,165
Other assets	90,721	79,206
Banking account loans	885,974	773,506
Total assets	W 12,247,977	\$ 10,693,188
LIABILITIES		
Money trusts	W 5,085,349	\$ 4,439,802
Property trusts	5	4
Security investment trusts	5,888,471	5,140,973
Borrowings	394,422	344,353
Other liabilities	814,883	711,440
Special reserves	2,011	1,756
Reserve for amortization of Bond	62,836	54,860
Total liabilities	W 12,247,977	\$ 10,693,188

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

Non-Consolidated Statement of Operations (Trust Accounts)

	In Millions of Korean Won	In Thousands of U.S. Dollars (Note 3)
for the year ended December 31, 1999	1999	1999
REVENUE		
Interest on loans	W 168,831	\$ 147,399
Interest on call loans	42,242	36,880
Interest on securities	823,301	718,789
Interest on cash and money deposit	2	2
Gain on derivative transaction	35,633	31,110
Gain on securities transaction	1,038,806	906,937
Other income	1,160,572	1,013,246
	<u>3,269,387</u>	<u>2,854,363</u>
EXPENSES		
Loss on money trust	670,634	585,502
Loss on security investments trust	835,661	729,580
Interest on borrowings	20,639	18,020
Commission payable	9,420	8,224
Trust fees to the bank	51,674	45,114
Loss on derivative transactions	891,963	778,735
Loss on securities	56,456	49,290
Other expenses	690,364	602,727
	<u>3,226,811</u>	<u>2,817,192</u>
Dividends of trust profit to beneficiaries	W 42,576	\$ 37,171

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

Non-Consolidated Statement of Cash Flows (Trust Accounts)

	In Millions of Korean Won	In Thousands of U.S. Dollars (Note 3)
for the year ended December 31, 1999	1999	1999
CASH USED IN OPERATING ACTIVITIES:		
Changes in accrual basis accounts, net	W (207,057)	\$ (180,774)
Loss on securities transaction, net	(130,777)	(114,175)
Unrealized loss on securities, net	(16,066)	(14,027)
Loss on sales of loans	574,488	501,561
Transfer to reserve for amortization of bonds	89,154	77,837
Gain on recovery of provision	(394,714)	(344,608)
	<u>(84,972)</u>	<u>(74,186)</u>
CASH USED IN FINANCING ACTIVITIES:		
Decrease in borrowings	(127,358)	(111,191)
	<u>(127,358)</u>	<u>(111,191)</u>
Net increase in cash and cash equivalents	(212,330)	(185,377)
Cash and cash equivalents at the beginning of the year	1,108,802	968,048
Cash and cash equivalents at the end of the year	W 896,472	\$ 782,671
Cash and due from banks	W 10,498	\$ 9,165
Due from banking accounts	885,974	773,506

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

Notes To Financial Statements (Trust Accounts)

December 31, 1999

1. Summary of Significant Accounting Policies :

Under the Trust Business Act, trust funds held by the Bank, 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:

Revenue and Expenses of Trust Accounts -

Trust accounts are comprised of trust operating revenue 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 in the banking accounts of the Bank.

Interest Income Recognition -

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

In this fiscal period, interest receivables from certain delinquent loans were recognized since the KDIC guaranteed to pay the principal and interest (including for overdue interest) held by the Bank as of December 31, 1999. However, interest receivable on loans categorized as substandard or below, including loans to Daewoo group, and companies in court mediation and workout, were not adjusted according to the special agreement with KDIC. With respect to this, currently unadjusted interest receivable amounts to W1,111 million. Such amount is not reflected in the financial statements as of December 31, 1999.

Reserve for Possible Loan Losses -

Reserve for possible loan losses (including loans, privately placed bonds and commercial papers) of guaranteed trusts is required to be provided using the same method as the banking accounts of the Bank. However, the accounting treatment of present value discounts for debt restructurings is not applied in the trust accounts.

However, in this fiscal period, the Bank actually reserved only 3.5% of the calculated reserve amounts as KDIC has guaranteed 96.5% of loan principle balances (see Banking Accounts Note 28).

Securities -

Equity securities and beneficiary certificates held by the Bank's trust accounts (except for specified money trusts) are stated at market value, determined by using the same method used in the banking accounts of the Bank.

However, equity securities and beneficiary certificates held by specified money trusts funded prior to November 15, 1998 are stated at cost.

Due from Banking Accounts -

The Bank's trust accounts deposit certain amounts with the banking accounts for short-term cash management purposes. The Bank accounts for such deposits as due from banking accounts.

Compensation from the Bank -

Certain money trust agreements provide that the Bank guarantees principal amount or a minimum rate of return. In relation to such guarantees, the Bank's trust accounts are required to set up a special reserve, not to exceed 5% of annual revenues, until the total reserve equals 3% of the related money trust balance. If income from trust operations is insufficient to generate the required rate of return, the deficiency may be either recovered from previously established special reserves or compensated by the Bank's banking accounts. Such compensation is accounted for as other operating expenses of the banking accounts and other income of the trust accounts, in accordance with the relevant laws and regulations applicable to the trust business. Such compensation amount is W379,614 million for the year then ended December 31, 1999.

Trust Fees -

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

Securities Investment Trusts -

According to the trust business supervisory regulations, the Bank has included the securities investment trusts which are held by the Bank as a custodian in the financial statements of trust accounts for the year then ended December 31, 1999. As a result of this inclusion, total assets and liabilities in trust accounts increased by W6,215,354 million.

2. Trust Accounts :

Details of the money trust businesses at December 31, 1999 are as follows :

	Period of Trusts (Years)	Type of Dividends
Money Trusts :		
Unspecified money trusts	over 1.5	Dividends guarantee
Installment money trusts	over 1.5	No guarantee
Development trusts	2-3	Dividends guarantee
Household money long-term trusts	over 1.5	No guarantee
Retirement trusts	over 1	Principal guarantee
Old-age living pension trusts	over 5	Principal guarantee
Individual pension trusts	15-35	Principal guarantee
Corporation money trusts	over 1.5	No guarantee
Tax exempt household money trusts	3-5	No guarantee
National stock trusts	over 3	No guarantee
Specified money trusts	over 1	No guarantee
New installment money trust	over 1.5	No guarantee
Unit money trusts	1	No guarantee
Trusts of money except for money trust	over 1.5	No guarantee
Security investment trusts		No guarantee

Assets and liabilities of trust accounts at December 31, 1999 are classified into principal or dividends guarantee trusts, mixed guarantee trusts, no guarantee trusts, and security investment trusts as follows (millions of Won):

	Principal or Dividends Guarantee	Mixed Guarantee(*)	No Guarantee	Security Investment	Total
Loans	W 750,433	W 202,981	W 218,353	W -	W 1,171,767
Traded securities	1,689,636	280,251	1,720,814	5,479,007	9,169,708
Call loans	184,000	22,000	68,000	633,000	907,000
Due from banking accounts	622,752	32,449	183,729	47,044	885,974
Other assets	8,408	5,183	43,634	56,303	113,528
	<u>W3,255,229</u>	<u>W542,864</u>	<u>W2,234,530</u>	<u>W6,215,354</u>	<u>W12,247,977</u>
Money trust	W2,431,354	W525,835	W2,128,164	W5,888,471	W10,973,824
Reserve for future trust losses	293	1,719	-	-	2,012
Reserve for possible loan losses	46,814	4,844	11,177	-	62,835
Borrowings	394,422	-	-	-	394,422
Other liabilities	382,346	10,466	95,189	326,883	814,884
	<u>W3,255,229</u>	<u>W542,864</u>	<u>W2,234,530</u>	<u>W6,215,354</u>	<u>W12,247,977</u>

(*) Mixed guarantee trusts represent no guarantee trusts with a certain portion of principal or dividends guarantee, which includes household money long-term trusts, corporation money trusts and certain installment money trusts.

3. United States Dollar Amounts :

The Bank operates primarily in Korean Won and its official accounting records are maintained in Korean Won. The U.S. Dollar amounts are provided herein as supplementary information solely for the convenience of the reader. All Won amounts are expressed in U.S. Dollars at the rate of W1,145.4:US\$1, the base exchange rate on December 31, 1999. This presentation is not required by or in accordance with Korean or United States generally accepted accounting principles, and should not be construed as a representation that the Won amounts shown could be converted in or settled in U.S. Dollars at this or any other rate.

Report of Independent Accountants

SAMIL ACCOUNTING CORPORATION

PRICEWATERHOUSECOOPERS

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To the Board of Directors and Shareholders of Korea First Bank

We have audited the accompanying consolidated balance sheets of Korea First Bank and its subsidiaries (the "Bank") as of December 31, 1999, and the related consolidated statements of operations, changes in capital surplus and retained earnings and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of Korea First Finance Ltd., Hong Kong, which represent 0.5% of total assets as of December 31, 1999 and 0.4% of total revenues for the year then ended. Those statements were audited by an other auditor whose report has been furnished to us. Our opinion, insofar as it relates to the amounts included for these entities, is based solely on the audit report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Those standards requires 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 financial statement presentation. We believe the our audit provides a reasonable basis for our opinion.

In our opinion and based on the report of the other auditor, the consolidated financial statements referred to above present fairly, in all material respect, the financial position of Korea First Bank and its subsidiaries as of December 31, 1999, and the result of their operations, the changes in their capital surplus and retained earnings, and their cash flows for the year then ended in accordance with financial accounting standards generally accepted in the Republic of Korea.

As discussed in Note 2 to the consolidated financial statements, during 1999, the Bank changed its method of accounting and presentation for certain items in accordance with revised financial accounting standards. The accounting changes include accounting treatment for the valuation of securities, deferred taxes and stock issuance costs. In addition, the consolidated financial statements for the year ended December 31, 1998 are not presented herein for comparative purpose pursuant to the addendum to the revised financial accounting standards.

As discussed in note 1 to the consolidated financial statements, the Bank disposed of KFB Securities Co., Ltd., which was included in consolidation of its 1998 consolidated financial statements, as part of its business restructuring. Also, the Bank's investments in Korea First Mutual Savings & Fund Co., Ltd. and Korea First Bank of New York were disposed of as such investments business are excluded from the business that Newbridge Capital Limited ("NC") will take over. In addition, First Vina Bank, Vietnam which was included as an equity-method investee in 1998, was disposed of during 1999.

As discussed in the Note 10 to the consolidated financial statements, the terms of investment ("TOI") between the Korean government and Newbridge Capital Limited ("NC") were agreed upon on September 17, 1999. On December 30, 1999, NC entered into an agreement with the Korean government whereby NC would acquire 50.99% investment of the outstanding common stock of the Bank from Korea Deposit Insurance Corporation ("KDIC") for cash proceeds of ₩500 billion. In order to fix the value of the NC investment, NC and KDIC entered into a contract whereby KDIC would contribute additional funds to the Bank in order to increase the total net assets of the Bank to ₩980.6 billion (based on NC's 50.99% being valued at ₩500 billion) as of December 31, 1999. Based upon the preliminary analysis of management, the required contribution of KDIC under such agreement was ₩209.8 billion, which has been recorded as a gain on assets contributed and other receivable as of December 31, 1999. This calculated amount is subject to change based upon the final closing of the transaction. Also in connection with this transaction, KDIC has guaranteed the values of certain loans and investments held by the Bank, such that future losses on such assets in excess of amounts reserved as of December 31, 1999 will be compensated by KDIC.

As discussed in the Note 11 to the consolidated financial statements, on July 10, 1999, the Bank entered into a recapitalization plan under which 83% of the existing common shares (amounting to W1,328 billion) of the Bank were extinguished and 841,720 thousand new shares were issued to KDIC for cash proceeds of W4,208,600 million. Such cash proceeds were immediately reinvested into bonds issued by KDIC. The prior shareholders received no direct compensation under the recapitalization plan, however nearly all of such prior shareholders (excluding KDIC and the Korean government) exercised putback options under the plan, effectively selling such shares back to the Bank for W17,923 million. Such shares were immediately retired upon acquisition by the Bank.

On December 29, 1999, immediately prior to the transaction with NC, the Bank entered into another recapitalization plan under which 700,023 thousand shares owned by KDIC and Ministry of Finance and Economy were cancelled for compensation of W1,461 billion. Such compensation came in the form of a return of W1,461 billion of KDIC bonds held by the Bank for no consideration. The returned bonds were a part of the bonds issued by KDIC to the Bank as a part of the July 1999 recapitalization.

As previously discussed, the transactions described above among the Korean government, KDIC and NC are subject to certain adjustments based on the final closing of the transaction. In particular, the amount of assets to be contributed to the Bank by KDIC in order to fix a net asset value of W980.6 billion and the amount of required loan loss and investment valuation reserves required to maintain such a value have been estimated by management as of December 31, 1999. Actual amounts could differ from such estimates. Such differences should not impact the value of the net assets of the Bank due to the guarantees provided by KDIC.

As discussed in Note 9 to the consolidated financial statements, on July 9, 1999, the Bank entered into a contract with Korea Assets Management Corporation ("KAMCO") to sell certain non-performing loans (excluding guarantees, performance trust loan, non-exposure type securities and workout loans) for the amount of W4,504 billion. The Bank incurred a W3,915 billion loss from the sale.

Without qualifying our opinion, we draw attention to Note 4 to the financial statements. The operation 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 have been or are in the process of restructuring loans with their creditor banks. The ultimate effect of these significant uncertainties on the financial position of the Bank as of balance sheet date cannot presently be determined and accordingly, no adjustments have been made in the accompanying financial statements related to such uncertainties other than those adjustments disclosed in these financial statements.

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 consolidated financial statements are those generally accepted and applied in Korea.



Seoul, Korea
March 24, 2000

Consolidated Balance Sheet

December 31, 1999	In Millions of Korean Won	In Thousands of U.S. Dollars (Note 3)
	1999	1999
ASSETS		
Cash and due from banks	W 2,302,037	\$ 2,009,811
Trading securities	771,671	673,713
Investment securities	7,505,192	6,552,464
Trust securities	724,730	632,731
Loans	14,956,158	13,057,585
Allowance for possible loan losses	(491,901)	(429,458)
Premises and equipment	1,108,284	967,596
Other assets	1,522,433	1,329,171
Total assets	W 28,398,604	\$ 24,793,613
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits	W 18,217,162	\$ 15,904,629
Borrowings	6,229,420	5,438,642
Debentures	459,941	401,555
Accrued severance benefits	244,550	213,506
Other liabilities	2,266,947	1,979,175
Total liabilities	27,418,020	23,937,507
Commitment and contingencies (Note 4)		
MINORITY INTEREST	-	-
SHAREHOLDERS' EQUITY		
Common stock, par value: W5,000; Authorized: 1,600,000,000 shares; issued and outstanding: 196,116,800 shares (Notes 1 and 5)	980,584	856,106
Capital surplus	4,582	4,000
Retained earnings	-	-
Capital adjustments	(4,582)	(4,000)
Total shareholders' equity	980,584	856,106
Total liabilities, minority interest and shareholders' equity	W 28,398,604	\$ 24,793,613

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

Consolidated Statement of Operations

	In Millions of Korean Won	In Thousands of U.S. Dollars (Note 3)
for the year ended December 31, 1999	1999	1999
OPERATING REVENUES		
Interest on due from banks	W 49,713	\$ 43,402
Interest on trading securities	60,861	53,135
Interest on investment securities	438,092	382,479
Interest on trust securities	134,791	117,680
Interest on loans	1,301,659	1,136,423
Other interest income	30,918	26,993
Commission income	188,496	164,569
Other operating income	2,024,488	1,767,495
	<u>4,229,018</u>	<u>3,692,176</u>
OPERATING EXPENSES		
Interest on deposits	851,364	743,290
Interest on borrowings	493,450	430,810
Interest on debentures	45,564	39,780
Profit on money trust	408,181	356,365
Other interest expenses	82,731	72,229
Commission expense	34,163	29,826
Other operating expense	265,903	232,149
Selling and administrative expense	420,249	366,902
	<u>2,601,605</u>	<u>2,271,351</u>
Operating income	1,627,413	1,420,825
Non-operating income	1,175,516	1,026,293
Non-operating expense	4,008,131	3,499,329
Ordinary loss	1,205,202	1,052,211
Extraordinary gain		
Gain from assets contributed	207,226	180,920
	<u>207,226</u>	<u>180,920</u>
Loss before income tax expense and consolidation adjustments	997,976	871,291
Income tax expense	1,494	1,304
Total net loss before consolidation adjustments	999,470	872,595
Loss on investee from equity method	5,189	4,530
Consolidated net loss (Note 6)	W 1,004,659	\$ 877,125
(Ordinary loss per share: W2,046 Loss per share: W1,703)		

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

Consolidated Statement of Changes in Capital Surplus and Retained Earnings

December 31, 1999	In Millions of Korean Won		In Thousands of U.S. Dollars (Note 3)	
	1999		1999	
CONSOLIDATED CAPITAL SURPLUS:				
Carried over from prior year	W	16,610	\$	14,501
Gain on capital reduction		3,349,426		2,924,241
Disposition of accumulated deficits		(3,349,426)		(2,924,241)
Decrease due to change in reporting entity		(16,610)		(14,501)
Others, net		4,582		4,000
Carried over to subsequent year		<u>4,582</u>		<u>4,000</u>
CONSOLIDATED RETAINED EARNINGS:				
Carried over from prior year		(1,914,597)		(1,671,553)
Consolidated net loss		(1,004,659)		(877,125)
Disposition of accumulated deficits		3,349,426		2,924,241
Increase due to change in reporting entity		246,672		215,359
Cumulative effect of changes in accounting principle		(668,559)		(583,690)
Write-off for discounts on stock issuance		(2,530)		(2,209)
Others, net		(5,753)		(5,023)
Carried over to subsequent year		<u>-</u>		<u>-</u>
Consolidated capital surplus and retained earnings carried over to subsequent year	W	<u>4,582</u>	\$	<u>4,000</u>

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

Consolidated Statement of Cash Flows

	In Millions of Korean Won	In Thousands of U.S. Dollars (Note 3)
for the year ended December 31, 1999	1999	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated net loss	W (1,004,659)	\$ (877,125)
Items not involving cash flows		
Depreciation	40,298	35,182
Accrued severance benefits	48,503	42,346
Reversal of allowance for possible loan losses	(1,619,330)	(1,413,768)
Expense on securities	24,210	21,137
Revenue on securities	(88,882)	(77,599)
Equity in net loss of affiliates	5,189	4,530
Gain from assets contributed	(207,226)	(180,920)
Others, net	(28,109)	(24,541)
Cash provided by (used in) operating activities		
Loans	2,225,482	1,942,974
Securities	(1,261,381)	(1,101,258)
Deposits	313,151	273,399
Other, net	(1,015,837)	(886,884)
	<u>(2,568,591)</u>	<u>(2,242,527)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of premises and equipment	115,349	100,706
Disposal of premises and equipment	(23,936)	(20,898)
Others, net	48,831	42,632
	<u>140,244</u>	<u>122,440</u>
CASH FLOWS FROM FINANCIAL ACTIVITIES:		
Issuance of capital stock	4,205,227	3,671,405
Compensatory reduction of capital stock	1,478,589	(1,290,893)
Borrowing	(1,923,055)	(1,678,937)
	<u>803,583</u>	<u>701,575</u>
Net increase in cash and cash equivalents	(1,624,764)	(1,418,512)
Cash and cash equivalent at the beginning of year	3,251,175	2,838,463
Decrease in cash and cash equivalents due to consolidation change	(7,375)	(6,439)
Cash and cash equivalent at the end of year	W 1,619,036	\$ 1,413,512

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

Notes to Consolidated Financial Statements

December 31, 1999

1. The Consolidated Companies:

The accompanying consolidated financial statements include the banking accounts and trust accounts of Korea First Bank and its controlled subsidiaries ("the Bank"). General information describing the Bank, and equity-method investees are provided below.

Trust Accounts and Controlled Subsidiaries -

A summary of investment and financial data of the Bank's trust accounts and its controlled subsidiaries ("Subsidiaries") as of December 31, 1999 is as follows: (Millions of Won)

Subsidiaries	Number of invested shares	Percentage of Ownership
Korea First Finance Ltd., Hong Kong	7,000	100.00

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

Korea First Finance Ltd., Hong Kong was established on May 23, 1980. Korea First Finance Ltd., Hong Kong is engaged in banking business according to the provision of the Local General Banking Act. The Bank's common stock outstanding at December 31, 1999 is US\$ 7 million.

Equity - method Investees -

A summary of investments and financial data of equity-method investees as of December 31, 1999 is as follows:

Subsidiaries	Number of invested shares	Percentage of Ownership
First Citicorp Leasing, Inc	2,750,000	49.11
Qingdao International Bank	Limited company	40.00
Korea First Data System Co., Ltd.	400,000	100.00

First Citicorp Leasing, Inc. was established in January 1975. First Citicorp Leasing, Inc. is engaged in leasing industrial equipment. The Bank's common stock outstanding at December 31, 1999 is W28 billion.

Qingdao International Bank is engaged in banking business according to the provisions of the Local General Banking Act. Qingdao International Bank's common stock outstanding at December 31, 1999 is \$ 20 millions.

Korea First Data System Co., Ltd was established in May 1, 1990 for the purpose of offering services and developing computer software. Korea First Data System Co., Ltd.'s common stock outstanding at December 31, 1999 is W2,000 million.

Controlled Subsidiaries Disposed of during 1999

The Bank disposed of KFB Securities Co., Ltd., which was included in consolidation of its 1998 consolidated financial statements, as part of its business restructuring. Also, the Bank's investment in Korea First Mutual Savings & Fund Co., Ltd. and Korea First Bank of New York were disposed of as such investments business are excluded from the business that Newbridge Capital Limited ("NC") will take over. In addition, First Vina Bank, Vietnam which was included as a equity-method investee in 1998, was disposed of during 1999.

Summary financial statements at December, 1998 of subsidiaries disposed of during 1999 are as follows (millions of Won):

(1) Balance Sheets

	KFB Securities Co., Ltd.	Korea First Mutual Savings & Fund Co., Ltd	Korea First Bank of New York
Loans	W 11,205	W 57,740	W 102,778
Securities	212,687	5,657	13,248
Others	137,026	8,722	25,233
	<u>W 360,918</u>	<u>W 72,119</u>	<u>W 141,259</u>
Deposits	W 43,496	W 67,593	W 124,526
Debt	75,110	2,145	-
Others	24,046	3,718	2,237
	<u>142,652</u>	<u>73,456</u>	<u>126,763</u>
Equity	218,266	(1,337)	14,496
	<u>W 360,918</u>	<u>W 72,119</u>	<u>W 141,259</u>

(2) Statements of Income

	KFB Securities Co., Ltd.	Korea First Mutual Savings & Fund Co., Ltd	Korea First Bank of New York
Operating revenue	W 81,129	W 11,730	W 14,406
Operating expense	103,221	24,598	17,825
Operating income	<u>(22,092)</u>	<u>(12,868)</u>	<u>(3,419)</u>
Non-operating revenue	920	205	1,169
Non-operating expense	1,612	41	419
Income tax expense	-	-	-
	<u>W(22,784)</u>	<u>W (12,704)</u>	<u>W(2,669)</u>

Operation Activities with Controlled Subsidiaries and Equity-method Investees

The Bank is transacting loan, deposits, commission, guarantees and others with controlled subsidiaries and equity-method investees.

Difference of Reporting Date

The reporting dates of First Citicorp Leasing, Inc. and Korea First Data System Co., Ltd. is March 31, 2000. These subsidiaries prepared financial statements as of December 31, 1999.

2. Summary of Significant Accounting Policies:

The significant accounting policies followed by the Bank in the preparation of the accompanying consolidated financial statements are summarized below. The consolidated financial statements for the year ended December 31, 1998 are not presented herein for comparative purposes pursuant to the addendum to the revised financial accounting standards.

Accounting for Trust Accounts -

The Bank receives fees from the trust accounts for its management or custodian of trust assets and operations, and is entitled to receive special fees from certain trust accounts in accordance with relevant laws and regulations applicable to trust operations.

Principles of Consolidation -

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

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

Investments in 20% to 50% owned companies (except for consolidated companies) is recorded using the equity method of accounting. The Bank records changes in its proportionate ownership of the net book value of the investee as current operation, capital surplus and or adjustment to retained earnings, depending on the nature of the underlying change in book value of the investee.

Certain money trust agreements provide that the Bank guarantees a principal amount of trusts or a minimum rate of return. In relation to such guarantees, the Bank's trust accounts are required to set up a special reserve, not to exceed 5% of annual revenues, until the total reserve equals 3% of the related money trust balance. If income from trust operations is insufficient to generate the required rate of return, the deficiency may be either recovered from previously established special reserves or compensated by the banking accounts, in accordance with the relevant laws and regulations applicable to the trust business. Such compensation amount is W379,614 million for the year ended December 31, 1999 and this has been eliminated in consolidation of related trust accounts.

3. United States Dollar Amounts:

The Bank operates primarily in Korean Won and its official accounting records are maintained in Korean Won. The U.S. Dollar amounts are provided herein as supplementary information solely for the convenience of the reader. All Won amounts are expressed in U.S. Dollar at the rate of W1,145.4:US\$1, the basic exchange rate on December 31, 1999. This presentation is not required by or in accordance with Korean or United States generally accepted accounting principles, and should not be construed as a representation that the Won amounts shown could be converted in or settled in U.S. Dollar at this or any other rate.

4. Commitments and Contingencies:

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities, consisting primarily of commitments to extend credit and letters of credit. At December 31, 1999, commitments under letters of credit and endorsed notes aggregated W542,123million and W18,215million, respectively.

The Bank has entered into various agreements to exchange different currencies at predetermined future dates and rates. The Bank has also entered into various interest related agreements with customers, including interest swap contracts, interest rate option contracts and contracts for interest rate futures. At December 31, 1999, those derivatives contracts aggregated W2,833,714million. As of December 31, 1999, the Bank has derivative financial instruments as follows:

	Millions of Won				
	Trading		Hedging		Total
Foreign exchange contracts	W	1,526,461	W	-	W 1,526,461
Interest rate contracts		1,307,253		-	1,307,253
	W	2,833,714	W	-	W 2,833,714

During 1999, W13,866 million of valuation losses on derivatives contracts were recorded in other operating expenses.

The Bank has been named as defendant in 41 legal actions amounting to W46,896 million and US\$ 6,757 thousands, and plaintiff in 191 legal actions amounting to W117,755 million and US\$ 1,378 thousands, which have arisen from normal business activities. Management believes that these actions are without merit and that the ultimate liability, if any, will not materially affect the Bank's financial position.

The Bank has entered into overdraft contracts and other loan commitments. At December 31, 1999, the total loan commitment is W7,355 billion and the unused commitment is W4,823 billion .

The operation 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 have been or are in the process of restructuring loans with their creditor banks. The ultimate effect of these significant uncertainties on the financial position of the Bank as of balance sheet date cannot presently be determined and accordingly, no adjustments have been made in the accompanying financial statements related to such uncertainties other than those adjustments disclosed in these financial statements.

5. Capital Stock:

As of December 31, 1999, the authorized common shares and the outstanding common shares are 1,600 million shares and 196,116,800 shares (at a par value of W 5,000), respectively. The Bank's paid in capital is W980,584 as of December 31, 1999 (see Notes 1 and 11).

6. Consolidated Loss Per Share and Ordinary Loss Per Share:

Consolidated loss per share and ordinary loss per share for the year ended December 31, 1999 are calculated as follows:

Millions of Won	
Consolidated ordinary loss per share	
Consolidated ordinary loss after income tax expenses	W 1,206,696,369,762
Weighted average number of common shares (*)	589,750,177
Consolidated ordinary loss per share	W 2,046
Consolidated loss per share	
Consolidated ordinary loss after income tax expenses	W 1,206,696,369,762
Extraordinary gain	207,226,251,015
Loss on investees using the equity method	5,189,370,027
	1,004,659,488,774
Weighted average number of common shares (*)	589,750,177
Consolidated loss per share	W 1,703

- Weighted average number of common shares outstanding

	Number of days	Number of Common shares	Accumulated number of common shares
Beginning of the year	189	320,000,000	60,480,000,000
Gratuitous reduction of capital stock	1	54,419,794	54,419,794
Issuance of common stock	172	896,139,794	154,136,044,568
Compensatory reduction of capital stock	3	196,116,800	588,350,400
	365		215,258,814,762

- Weighted average number of common shares outstanding
= 215,258,814,762 ÷ 365 = 589,750,177

7. Application of the Equity-method:

Equity investments at December 31, 1999 are as follows (millions of Won):

	First Citicorp Leasing, Inc	Qingdao International Bank	Korea First Data System Co., Ltd
January 1, 1999	W 24,655	W 13,704	W 4,194
Equity in net income of affiliates	-	-	77
Exchange rate fluctuation	-	(711)	-
Equity in net loss of affiliates	(1,436)	(3,830)	-
December 31, 1999	W 23,219	W 9,163	W 4,271

8. Related Party Transactions:

Significant transactions between the Bank and its controlled subsidiaries for the year ended December 31, 1999 are as follows (millions of Won):

	Transactions		Account Balances	
	Account	Amount	Account	Amount
Trust accounts	Interest income	W 20,639	Other asset	W 748
	Other revenue	6,048	Due from bank	394,422
	Interest expense	6,001	Other liabilities	640,411
	Compensation	379,614		
Korea First Finance Ltd., Hong Kong	Interest income	9,885	Loan	21,763
	Other revenue	12	Due from bank	73,292
	Revenue transactions	W 36,584	Receivables	W 490,225
	Expense transactions	W 385,615	Payables	W 640,411

Significant transactions between the Bank and its equity-method investees for the year ended December 31, 1999 are as follows (millions of Won):

	Transactions		Account Balances	
	Account	Amount	Account	Amount
First Citicorp Leasing Inc.	Interest income	W 14,877	Loan	W 202,495
	Interest expense	483	Deposit	17,500
Qingdao International Bank	Interest income	3,073	Due from bank	35,507
	Interest expense	2,289	Deposit	49,832
Korea First Data System Co., Ltd	Other revenue	36	Loan	22
	Interest expense	6	Deposit	336
	Other expense	2,395	Other liabilities	81
	Revenue Transactions	W 17,986	Receivables	W 238,024
	Expense Transactions	W 5,173	Payables	W 67,749

9. A contract with Korea Asset Management Corporation to sell certain troubled loans:

On July 9, 1999, the Bank entered into a contract with Korea Assets Management Corporation ("KAMCO") to sell certain non-performing loans (excluding guarantees, performance trust loans, non-exposure type securities and workout loans) for the amount of W4,504 billion. The Bank incurred a W3,915 billion loss from the sale.

10. Status of Privatization:

The terms of investment ("TOI") between the Korean government and Newbridge Capital Limited ("NC") were agreed upon on September 17, 1999. On December 30, 1999, NC entered into an agreement with the Korean government whereby NC would acquire 50.99% of the outstanding common stock of the Bank from Korea Deposit Insurance Corporation ("KDIC") for cash proceeds of W500 billion. In order to fix the value of the NC investment, NC and KDIC entered into a contract whereby KDIC would contribute additional funds to the Bank in order to increase the total net assets of the Bank to W980.6 billion (based on NC's 50.99% investment being valued at W500 billion) as of December 31, 1999. Based upon the preliminary analysis of management, the required contribution of KDIC under such agreement was W209.8 billion, which has been recorded as a gain on assets contributed and other receivable as of December 31, 1999. This calculated amount is subject to change based upon the final closing of the transaction. Also in connection with this transaction, KDIC has guaranteed the values of certain loans and investments held by the Bank, such that future losses on such assets in excess of amounts reserved as of December 31, 1999 will be compensated by KDIC.

As previously discussed, the transactions described above among the Korean government, KDIC and NC are subject to certain adjustments based on the final closing of the transaction. In particular, the amount of assets to be contributed to the Bank by KDIC in order to fix a net asset value of W980.6 billion and the amount of required loan loss and investment valuation reserves required to maintain such a value have been estimated by management as of December 31, 1999. Actual amounts could differ from such estimates. Such differences should not impact the value of the net assets of the Bank due to the guarantees provided by KDIC.

As a part of the Acquisition Agreement, the Bank transferred to KDIC loans, securities and due from banks amounting to W3,095 billion on December 31, 1999 from Bank accounts and W524 billion from Guaranteed trust accounts.

In accordance with the acquisition & transfer agreement of shareholder's equity, KDIC and NC have agreed on post-closing adjustments within three months after closing, and the significant contents to be reflected on balance sheet as of December 31, 1999 are as follows.

1) Loans

- Loans (other than Daewoo Group loans, private settlement loans and workout loans) classified as substandard or below (Classified Loans) shall be transferred to an entity designated by KDIC
- The Bank shall retain the "Initial Reserve" equal to 3.5% of book value of each remaining loan and losses that could be occurred for a certain periods shall be protected by KDIC
- The difference between book value and present value due to restructuring of credit shall be protected by KDIC.
- Interest that is accrued, unpaid, in arrears or capitalized as principal in accordance with remaining loan and interest in which default rate is applied shall be protected by KDIC.
- Any losses that can be occurred in accordance with guarantee shall be protected by KDIC.

2) (Investment) Securities

- Securities (other than any securities valued using the equity method) that are retained by the Bank shall be guaranteed at an appropriate interest rate by KDIC.
- Losses on redemption of investment securities shall be protected by KDIC.

11. Reduction of Capital and Paid in Capital:

On July 10, 1999, the Bank entered into a recapitalization plan under which 83% of the existing common shares (amounting to W1,328 billion) of the Bank were extinguished and 841,720 thousand new shares were issued to KDIC for cash proceeds of W4,208,600 million. Such cash proceeds were immediately reinvested into bonds issued by KDIC. The prior shareholders received no direct compensation under the recapitalization plan, however nearly all of such prior shareholders (excluding KDIC and the Korean government) exercised putback options under the plan, effectively selling such shares back to the Bank for W17,923 million. Such shares were immediately retired upon acquisition by the Bank.

On December 29, 1999, immediately prior to the transaction with NC, the Bank entered into another recapitalization plan under which 700,023 thousand shares owned by KDIC and Ministry of Finance Economics were cancelled for compensation of W1,461 billion. Such compensation came in the form of a return of W1,418 billion of KDIC bonds held by the Bank and W43 billion of cash. The returned bonds were a part of the bonds issued by KDIC to the Bank as a part of the July 1999 recapitalization.



(From left) SooHo Lee, Duncan W. Barker, Kwang Woo Chong, Wilfred Y. Horie, Ranvir Dewan, Jay Hyun, Jin Tae Kim, Hak Yong Shim

Directors and Officers

All executive officers and Directors of the Board of Korea First Bank presented in this Annual Report were appointed and assigned to their respective posts after the Bank was acquired by Newbridge Capital, which became effective from the year 2000.

PRINCIPAL OFFICERS

Wilfred Y. Horie

President & Chief Executive Officer

Kwang Woo Chong

Deputy President & Chief of Branch Operations

Duncan W. Barker

Executive Vice President & Chief Operating Officer

Ranvir Dewan

Executive Vice President & Chief Financial Officer

SooHo Lee

Executive Vice President & Chief Credit Officer

Jay Hyun

Executive Vice President & Chief Information Officer

Jin Tae Kim

Executive Vice President & Head of West Division

Hak Yong Shim

Executive Vice President & Head of East Division

BOARD OF DIRECTORS

Robert T. Barnum

*Chairman, Board of Directors, Non-Standing Director,
Executive Committee*

Chulsu Kim

Vice-Chairman, Board of Directors, Non-Standing Director

Wilfred Y. Horie

President, Standing Director, Executive Committee

Richard C. Blum

Non-Standing Director, Executive Committee

Yoon-Jae Lee

Non-Standing Director, Executive Committee

Frank N. Newman

Non-Standing Director, Executive Committee

Weijian Shan

Non-Standing Director, Executive Committee

David Bonderman

Non-Standing Director

Seonghwan Oh

Non-Standing Director

Michael "Mickey" Kantor

Non-Standing Director

Thomas J. Barrack, Jr.

Non-Standing Director

Robert A. Cohen

Non-Standing Director

Jonathan S. Epstein

Non-Standing Director

Ranvir Dewan

Standing Director, Audit Committee

Michael O' Hanlon

Non-Standing Director, Audit Committee

Daniel A. Carroll

Non-Standing Director, Audit Committee

Seunghee Park

Non-Standing Director, Audit Committee

Business Network

HEAD OFFICE

100, Kongpyung-dong, Chongro-gu,
Seoul, 110-702, Korea
Mailing: C.P.O. Box 2242,
Seoul, Korea
SWIFT: KOFB KR SE
Cable: FIRSTBANK SEOUL
Tel: 82-2-3702-3114

INTERNATIONAL BUSINESS RELATED DEPARTMENTS

International Operations Department

Hong Kil Yun

General Manager
Tel: 82-2-3702-3218

Eun Sig Wang (Ext: 3468)

Dae Joon Lee (Ext: 4425)

Deputy General Managers
Correspondent Banking Section (Ext: 3844)
Foreign Exchange Information
Center (Ext: 3913)
Foreign Investment Service
Center (Ext: 3912)
Export Section (Ext: 3877)
Import Section (Ext: 3887)
Remittance (Ext: 3879)
L/C Advising (Ext: 4796)
Reconciliation (Ext: 3870)
SWIFT/Telex (Ext: 3895)

Telex: K24249, K24479, K25363, K26535,
K28784, K28785 FIRSTBK
Fax: 82-2-3702-4933-8

Treasury Department

Jin Hang Lee

General Manager
Tel: 82-2-3702-3204

Kyu Sul Choi (Ext: 3335)

Deputy General Manager

Long-term Borrowing (Ext: 4415)
Custody (Ext: 4463)
Customer Dealing/Marketing (Ext: 4402)
Money Dealing (Ext: 4403)
Won Dollar, FX Dealing (Ext: 4405)
Derivatives (Ext: 4412)

Telex: K25364, K26104, K22363 FIRSTBK
Fax: 82-2-3702-4943/44

Corporate Planning & Budgeting Department

Moon Hwan Cho

General Manager
Tel: 82-2-3702-3201

Tu Hee Cho (Ext: 3532)

Deputy General Manager

Credit Rating/IR/Annual
Report (Ext: 4316, 3307)

OVERSEAS NETWORK

Tokyo Branch

Yeong Jin Jeon

General Manager

Whan Kon Joo

Deputy General Manager

701 Hibiya Park Building,
1-8-1, Yurakucho, Chiyoda-ku,
Tokyo 100, Japan
Cable: KOFIRST TOKYO
Telex: J23329, J22695 KOFIRST
Tel: 81-3-3201-6261/6204
Fax: 81-3-3201-4558

London Branch

Tae Ro Kim

General Manager

Soo Kyoung Park

Deputy General Manager

80 Cannon Street, London EC4N 6HL,
United Kingdom
Cable: KOFIRST LONDON
Telex: 895672, 889350 KFIRST G
Tel: 44-20-7626-9264
Fax: 44-20-7626-2840

Korea First Finance Ltd.

Eung Bok Park
Managing Director

Kyoung Pyo Oh
Deputy Managing Director

2007 Jardine House, 1 Connaught Place,
Central Hong Kong
Cable: KOFIRST HONGKONG
Telex: 85962 KOFST HX,
71933 KOFST HK
Tel: 85-2-2526-5025/6
Fax: 85-2-2521-7611

Qingdao International Bank

Duck Sung Yun
President & Managing Director

Wu Gang
Deputy President & Managing Director

Yong Sae Lee
Managing Director

C. Full Hope Mansion 12 Hongkong,
Middle Road, Qingdao
266071, P.R. China
Tel: 86-532-502-6210
Fax: 86-532-502-6222

DOMESTIC REGIONAL
BUSINESS DIVISION
EAST DIVISION

Region I

Eui Shik Kim
General Manager
Tel: 82-2-3702-3280

Region II

Byung Moon Chung
General Manager
Tel: 82-2-3702-3272

Region III

Dal Won Lee
General Manager
Tel: 82-2-3702-3273

Region IV

Hyun Nam Kim
General Manager
Tel: 82-51-805-4844

WEST DIVISION

Region V

Jeong Geun Lee
General Manager
Tel: 82-2-3702-3270

Region VI

Jong Wan Kim
General Manager
Tel: 82-2-3702-3271

Region VII

Jeong Gu Ko
General Manager
Tel: 82-2-3702-3278

Region VIII

Choon San Lee
General Manager
Tel: 82-62-222-2445

DOMESTIC SUBSIDIARIES

Korea First Data Systems Corp., Ltd.

Myung Ahm Cho
President

7-11 Shinchun-dong, Songpa-gu,
Seoul, 138-240, Korea
Tel: 82-2-3433-2114
Fax: 82-2-3433-2661

First Citicorp Leasing Inc.

Dong Chul Kim
*President, Joint Representative
Director*

20th Floor, Kyobo Building,
1-1 Chongro-gu,
Seoul, 110-121, Korea
Tel: 82-2-735-0016
Fax: 82-2-723-5948

Corporate Data

As of December 31, 1999

HEAD OFFICE

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 SWIFT: KOFB KR SE
 Telex: K23685 FIRSTBK
 Tel: 82-2-3702-3114
 Fax: 82-2-3702-4901/4903

DATE OF ESTABLISHMENT

July 1, 1929

PAID-IN CAPITAL

₩980.6 Billion

NUMBER OF EMPLOYEES

4,801

NUMBER OF OFFICES

Domestic: 336
 Overseas: 4

DISTRIBUTION OF SHAREHOLDERS

KFB Newbridge Holdings (private) Ltd. 50.99%
 Korea Deposit Insurance Corp. 45.92%
 Ministry of Finance & Economy 3.09%

NUMBER OF DOMESTIC OFFICES

Branches	295
Sub-branches	41
Automated Service Centers	(114)
Total	336

DISTRIBUTION OF DOMESTIC BRANCHES

Region	1999
Seoul	182
Pusan	21
Taegu	12
Inchon	7
Kwangju	4
Taejon	5
Ulsan	5
Kyonggi-do	43
Kangwon-do	7
Choongcheong-do	10
Cheolla-do	17
Kyongsang-do	20
Cheju-do	3
Total	336



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KOREA FIRST BANK

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Reuter Dealing Code: KFBH

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