

The background image is a purple-tinted photograph of an industrial scene. On the left, there are several tall, cylindrical smokestacks or chimneys, some with multiple levels of scaffolding or walkways. A large, multi-story building with a series of arched windows is visible on the right side. The overall atmosphere is hazy, with a lot of smoke or steam rising from the industrial area, partially obscuring the buildings. The text is overlaid on the lower right portion of the image.

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

International Operations

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



Overseas Funding

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

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

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

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

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

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

International Investment Banking

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

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

syndication of loans and securities for companies.

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

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

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

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

International Treasury

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

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



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

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

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

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

Trade Finance

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

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

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

Bank Relations

Investor Relations

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

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

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

Guest Observer Course

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

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

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

Correspondent Banking

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

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