

# Report of Independent Accountants

## (Banking Accounts)

SAMIL ACCOUNTING CORPORATION

To the Board of Directors  
The Korea Development Bank

PRICEWATERHOUSECOOPERS 

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2000 and 1999, and the results of its operations, the disposition of accumulated deficit (the appropriations of its retained earnings) and its cash flows for the years then ended in accordance with financial accounting standards generally accepted in the Republic of Korea.

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

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

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

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

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

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

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

*Samil Accounting Corporation*

Seoul, Korea  
January 31, 2001

# Report of Independent Accountants

## (Trust Accounts)

SAMIL ACCOUNTING CORPORATION

To the Board of Directors  
The Korea Development Bank

PRICEWATERHOUSECOOPERS 

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank Trust Accounts as of December 31, 2000 and 1999, and the results of its operations for the years then ended in accordance with the Trust Business Act and related regulations.

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

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

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

*Samil Accounting Corporation*

Seoul, Korea  
January 31, 2001

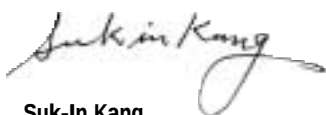
## Auditor's Statement

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

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

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

January 2001



**Suk-In Kang**  
Auditor