

Report of Independent Accountants

SAMIL ACCOUNTING CORPORATION



To the Board of Directors
The Korea Development Bank

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

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

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

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

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

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

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

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

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

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

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



Seoul, Korea
March 10, 2001

Auditor's Statement

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

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

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

March 2001



Suk-In Kang
Auditor