

Report of Independent Accountants

(Banking Accounts)

PRICEWATERHOUSECOOPERS 

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To the Board of Directors
The Korea Development Bank

We have audited the accompanying non-consolidated balance sheets of the Korea Development Bank (the "Bank") as of December 31, 2001 and 2000, and the related statements of operations, appropriations of retained earnings (dispositions of accumulated deficit) 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, 2001 and 2000, and the results of its operations, the appropriations of its retained earnings (dispositions of its accumulated deficit) and its cash flows for the years then ended in accordance with financial accounting standards generally accepted in the Republic of Korea.

We draw attention to the following items:

As discussed in Note 16 to the financial statements, the Korean government increased the paid-in capital of the Bank by W3,000,000 million in 2001 through contributing 127,086,334 shares of Korea Electric Power Corporation valued at W23,606 per share on June 20, 2001 and W50,000 million of cash on December 29, 2001.

As discussed in Note 14 to the financial statements, the Bank sold non-performing loans of W3,120,559 million for proceeds of W2,046,255 million in 2001, and W3,935,457 million for proceeds of W2,112,232 million in 2000. Related gains and losses from the loan disposition are recorded as non-operating income and expense.

As discussed in Note 14 to the financial statements, the operations of the Bank have been affected, and may continue to be affected for the foreseeable future, by the general unstable economic conditions in the Republic of Korea and in the Asia Pacific region. Under these unstable economic conditions, certain customers of the Bank restructured loans with their creditor banks. The Bank has provided loans of W6,489,516 million and securities of W644,700 million as of December 31, 2001, for companies under workout court receivership, court mediation and other restructuring process including Daewoo Motors Corp. The Bank provided W1,502,951 million for possible loan losses and W209,362 million for present value discount with regard to the above loans. 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 the 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 26, 2002