

Non-consolidated Balance Sheets

(Banking Accounts)

December 31, 2001 and 2000

In Millions of Korean Won

In Thousands of U.S. Dollars (Note 3)

	2001	2000	2001	2000
ASSETS				
Cash and due from banks (Note 4)	W 2,673,433	W 5,181,704	US\$ 2,016,012	US\$ 3,907,476
Trading securities (Note 5)	1,246,645	1,740,818	940,084	1,312,735
Investment securities (Note 5)	24,061,402	17,588,246	18,144,485	13,263,137
Loans (Note 6)				
less provision for possible loan losses of				
W1,835,651 million in 2001 and				
W2,163,037 million in 2000 and present				
value discount of W331,227 million				
in 2001 and W426,678 million in 2000	47,270,861	49,992,373	35,646,528	37,698,796
Premises and equipment, net (Note 7)	715,794	739,954	539,774	557,993
Derivative financial instruments (Note15)	2,372,569	1,991,933	1,789,133	1,502,099
Other assets (Note8)	3,662,356	4,074,031	2,761,748	3,072,190
Total assets	W82,003,060	W81,309,059	US\$61,837,764	US\$61,314,426
LIABILITIES AND EQUITY				
Deposits (Note 9)	W10,483,335	W 8,521,967	US\$ 7,905,388	US\$ 6,426,338
Borrowings (Note 10)	21,353,378	23,564,031	16,102,389	17,769,422
Industrial finance bonds (Note 11)				
add premium on bonds of W292 million				
in 2001 and W594 million in 2000 and				
less discount on bonds of W81,868 million				
in 2001 and W126,750 million in 2000	36,554,291	38,360,614	27,565,260	28,927,392
Provision for possible guarantees losses (Note 13)	140,980	367,495	106,312	277,125
Accrued severance benefits	12,219	4,588	9,214	3,460
Derivative financial instruments (Note 15)	2,614,541	2,034,196	1,971,602	1,533,969
Other liabilities (Note 12)	3,910,871	4,658,002	2,949,150	3,512,558
Total liabilities	75,069,615	77,510,893	56,609,315	58,450,264
Commitments and Contingencies (Note 14)				
Equity:				
Paid-in capital (Notes 1 and 16)	7,161,861	4,111,861	5,400,695	3,100,717
Capital surplus (Note 16)	44,373	44,373	33,461	33,461
Retained earnings (Note 16)	109,428	-	82,519	-
Capital adjustment (Note 16)	(382,217)	(358,068)	(288,226)	(270,016)
Total equity	6,933,445	3,798,166	5,228,449	2,864,162
Total liabilities and equity	W82,003,060	W81,309,059	US\$61,837,764	US\$61,314,426

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

Non-consolidated Statements of Operations

(Banking Accounts)

for the years ended December 31, 2001 and 2000

In Millions of Korean Won

In Thousands of U.S. Dollars (Note 3)

	2001	2000	2001	2000
Interest income (Note 21):				
Interest on loans	W3,634,930	W 4,259,079	US\$2,741,068	US\$ 3,211,733
Interest on due from banks	225,728	408,549	170,219	308,083
Interest on trading securities	112,300	129,183	84,684	97,416
Interest on investment securities	593,748	637,652	447,740	480,848
Other interest income	16,269	23,508	12,268	17,727
	4,582,975	5,457,971	3,455,979	4,115,807
Interest expense (Note 21):				
Interest on deposits	532,312	588,595	401,412	443,854
Interest on borrowings	1,174,039	1,409,187	885,332	1,062,655
Interest on bond payable	2,597,114	3,268,223	1,958,460	2,464,537
Other interest expenses	56,365	90,745	42,504	68,430
	4,359,830	5,356,750	3,287,708	4,039,476
Net interest income	223,145	101,221	168,271	76,331
Non-interest revenue:				
Fees and commissions	311,159	195,440	234,642	147,380
Gain from trading securities	134,514	170,249	101,436	128,383
Gain from derivative financial instruments (Note15)	4,026,795	2,500,879	3,036,570	1,885,890
Others (Note 17)	702,924	1,545,002	530,069	1,165,072
	5,175,392	4,411,570	3,902,717	3,326,725
Non-interest expense:				
Fees and commissions	35,926	32,708	27,092	24,665
Loss from trading securities	72,515	409,590	54,683	308,868
Loss from derivative financial instruments (Note15)	3,864,648	2,866,007	2,914,296	2,161,230
General and administrative expense (Note18)	241,232	229,998	181,911	173,439
Others (Note17)	509,388	621,608	384,124	468,749
	4,723,709	4,159,911	3,562,106	3,136,951
Operating income	674,828	352,880	508,882	266,105
Non-operating income (expense), net (Note 19)	(558,911)	(2,015,180)	(421,470)	(1,519,629)
Extraordinary income, net	-	264,496	-	199,454
Income (loss) before income taxes	115,917	(1,397,804)	87,412	(1,054,070)
Income taxes (Note 20)	6,961	627	5,249	473
Net income (loss)	W 108,956	W(1,398,431)	US\$ 82,163	US\$(1,054,543)

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

Non-consolidated Statements of Appropriations of Retained Earnings (Dispositions of Accumulated Deficit)

(Banking Accounts)

for the years ended December 31, 2001 and 2000

Date of appropriations: February 28, 2002

Date of disposition: February 28, 2001

	In Millions of Korean Won		In Thousands of U.S. Dollars (Note 3)	
	2001	2000	2001	2000
Retained earnings before appropriations				
(Accumulated deficit before dispositions):				
Retained earnings carried over				
from prior year	W -	W -	US\$ -	US\$ -
Cumulative effects of accounting changes (Note 16)	472	(8,746)	356	(6,595)
Net income (loss) for the year	108,956	(1,398,431)	82,163	(1,054,544)
	109,428	(1,407,177)	82,519	(1,061,139)
Appropriations of retained earnings:				
Legal reserve	109,428	-	82,519	-
	109,428	-	82,519	-
Dispositions of deficit:				
Transfer from legal reserve	-	456,996	-	344,616
Transfer from capital surplus	-	950,181	-	716,523
	-	1,407,177	-	1,061,139
Unappropriated retained earnings carried forward to subsequent year				
	W -	W -	US\$ -	US\$ -

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

Non-consolidated Statements of Cash Flows

(Banking Accounts)

for the years ended December 31, 2001 and 2000

In Millions of Korean Won

In Thousands of U.S. Dollars (Note 3)

	2001		2000	
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss)	W 108,956	W (1,398,431)	US\$ 82,163	US\$(1,054,544)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Loss on disposal of loans, net	1,074,304	1,823,224	810,123	1,374,877
Loss(gain) on trading securities, net	(55,985)	249,290	(42,218)	187,987
Loss(gain) on investment securities, net	(507,019)	186,397	(382,338)	140,560
Reverse of allowance for bad debt losses	(141,338)	(381,141)	(106,582)	(287,415)
Depreciation	28,654	21,067	21,608	15,886
Retirement allowance	13,176	27,244	9,936	20,544
Gain on foreign currency translation, net	(10,889)	(471,720)	(8,211)	(355,720)
Loss from derivative financial instruments, net	70,355	349,869	53,054	263,833
Decrease(increase) in accrued income	219,219	(117,892)	165,311	(88,901)
Decrease(increase) in derivative financial instruments	(24,846)	(298,258)	(18,736)	(224,914)
Payment of severance benefits	(5,762)	(24,654)	(4,345)	(18,591)
Others, net	(643,846)	(777,056)	(485,519)	(585,970)
Net cash provided by (used in) operating activities	124,979	(812,061)	94,246	(612,368)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net decrease in trading securities	500,549	2,982,568	377,459	2,249,128
Net decrease in loans	1,869,161	(7,766,110)	1,409,517	(5,856,353)
Net increase in investment securities	(3,007,823)	(324,819)	(2,268,172)	(244,943)
Net increase in premises and equipment	(15,010)	(80,485)	(11,319)	(60,693)
Others, net	2,478,600	2,396,144	1,869,089	1,806,910
Net cash provided by (used in) investing activities	1,825,477	(2,792,702)	1,376,574	(2,105,951)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase in deposits	1,961,368	1,581,794	1,479,050	1,192,817
Net increase(decrease) in borrowings	(2,192,114)	2,189,646	(1,653,053)	1,651,192
Net decrease in bonds issued	(1,709,307)	(261,860)	(1,288,973)	(197,466)
Increase in paid-in capital	50,000	100,000	37,705	75,409
Others, net	110	26	83	19
Net cash provided by (used in) financing activities	(1,889,943)	3,609,606	(1,425,188)	2,721,971
Net increase in cash	60,513	4,843	45,632	3,652
Cash, beginning of the year	84,395	79,552	63,642	59,990
Cash, end of the year (Note 4)	W 144,908	W 84,395	US\$ 109,274	US\$ 63,642

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

Notes to Non-consolidated Financial Statements

(Banking Accounts)

December 31, 2001 and 2000

1. The Bank

The Korea Development Bank (the "Bank") was established in 1954 in accordance with the Korea Development Bank Act for the purpose of supplying and managing major industrial capital to develop Korean industry. The Bank operates through 36 local branches, 5 overseas branches, 2 overseas subsidiaries and 2 overseas offices as of December 31, 2001. The Bank is engaged in the banking business under the Korea Development Bank Act and in the trust business according to the Trust Business Act and other related regulations.

The Korea Development Bank Act prescribes that the Korean government owns the entire capital of the Bank.

2. Summary of Significant Accounting Policies:

The significant accounting policies followed by the Bank in the preparation of its financial statements are summarized below.

Basis of Financial Statement Presentation -

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 held as fiduciary are accounted for and reported separately from the Bank's own commercial banking business.

The Bank maintains its official accounting records in Korean Won and prepares statutory financial statements in the Korean language in conformity with the accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Bank that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English from the Korean language financial statements.

The preparation of financial statements in conformity with financial accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the non-consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Due to the inherent uncertainty involved in making estimates, actual results could differ from those estimates.

Recognition of Interest Income -

The Bank recognizes interest income on loans and debt securities on an accrual basis. However, interest income on delinquent and dishonored loans, other than those subject to security deposits and guaranteed by financial institutions, is recognized on a cash basis. Such unaccrued interest income as of December 31, 2001 and 2000 was W122,915 million and W153,018 million, respectively.

Provision for Possible Loan Losses -

The Bank provides for possible loan losses based on borrowers' future debt servicing ability (forward looking criteria) as determined by a credit rating model developed by the Bank. This credit rating model includes the financial and non-financial factors of borrowers and classifies borrowers' credit risk. Provisions are determined by applying the following minimum percentages to the various credit risk ratings:

Loan classifications	Provision percentages
Normal	0.5%
Special attention	2% or more
Substandard	20% or more
Doubtful	50% or more
Loss	100%

Securities -

Marketable securities held for obtaining short-term transaction gains are included in trading securities. Those securities not included in trading securities are classified as investment securities. Securities which have a fair value different from their acquisition cost are carried in accordance with the following guidelines:

- Trading securities

The initial cost of trading securities is determined by the moving average method. Trading securities are subsequently carried at their market values. Unrealized gains and losses on trading securities are charged to current operations.

- Investment securities

Marketable securities held for investment purposes are carried at their market values. Unrealized gains and losses on marketable investment securities are reported as a capital adjustment in shareholders' equity.

Investment securities which allow the Bank significant influence over the investee are valued using the equity method of accounting. The Bank considers that it has significant influence on the investees in which the Bank holds more than 15% of interest. However, the Bank does not apply the equity method for the following investments.

- ☐ Total assets of investees are less than 7,000 million won
- ☐ Investees under court receivership or bankruptcy
- ☐ Investees under process to be sold-out
- ☐ Converted stocks with restriction on disposition under the corporate restructuring law

Under the equity method, the Bank records changes in its proportionate ownership of the book value of the investee as current operations, capital adjustments or adjustments to retained earnings, depending on the nature of the underlying changes in the book value of the investee.

Unmarketable equity securities and debt securities held to maturity are stated at cost. If market value or net book value declines significantly compared to acquisition cost and is not expected to recover, the acquisition cost is adjusted to the market value or net book value. In such cases, the difference between the carrying amount and the revalued amount is charged to current operations.

The Bank recorded impairment losses of 289,725 million won and 362,337 million won in 2001 and 2000, respectively.

Premises and Equipment and Related Depreciation -

Premises and equipment used for business purposes are recorded at cost, except for those assets subject to upward revaluation in accordance with the Korean Asset Revaluation Law. Such revaluation presents facilities and buildings at their depreciated replacement cost and land at the prevailing market price, as of the effective date of revaluation.

Depreciation is computed using the declining balance method, except for buildings and structures, which are depreciated using the straight-line method, based on the estimated useful lives of the assets as described below:

	Estimated useful lives
Buildings	20 ~ 40 years
Structures	10 ~ 40
Machinery	4
Vehicles	4
Others	4

Routine maintenance and repairs are charged to expense as incurred. Expenditures which enhance the value or extend the useful life of facilities are capitalized as premises and equipment.

The Bank capitalizes the interest expense incurred from borrowings used to purchase or build fixed assets up to the point when the assets are ready for use. The amount capitalized was 21, 307 million won in 2001.

Intangible Assets -

Intangible assets are stated at cost, net of accumulated amortization. Amortization of these intangibles is computed using the straight-line method over a period of 4 ~ 5 years.

Present Value Discount -

Receivables and payables arising from long-term installment transactions, long-term cash loans (borrowings) and other similar transactions are stated at present value if the difference between nominal value and present value is material. Such differences are presented in the present value discount account and directly deducted from the nominal value of the related receivables or payables. The present value discount account is amortized using the effective interest rate method as interest expense or interest income.

Loans which are impaired due to restructuring of the borrower, court mediation or negotiation, are revalued using the adjusted interest rate. The difference between book value and the readjusted value is offset against the provision for possible loan losses, and the remaining difference is recognized as bad debt expenses in the year incurred.

Foreign Currency Translation -

Assets and liabilities denominated in foreign currencies are translated into Korean Won at basic exchange rates (1,326.1 Won/US\$) on the balance sheet date. Resulting exchange gains or losses are reflected in current operations.

Bonds sold under Repurchase Agreements -

The Bank provides a provision for possible losses from the bonds sold under repurchase agreements as determined based possible loss estimates when the bonds are repurchased. The provision for possible losses as of December 31, 2001 and 2000 is W220,677 million and W695,607 million, respectively.

Disposition of Loans -

The Bank records the difference between selling price and book value of disposed loans as gain or loss on disposal of loans. The book value is face amount of the disposed loans less identifiable allowance for possible loan losses. When the Bank cannot allocate the allowance for possible loan losses to specific disposed loans, it records gain or loss by the difference between selling price and face amount of the loan.

Accrued Severance Benefits -

Employees and directors with one or more years 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 amount which would be payable assuming all eligible employees were to terminate their employment as of the balance sheet date.

On December 31, 2000 the Bank paid accrued severance benefits to most of employees and directors except for employees in overseas branches. Actual payments of severance benefits for the years ended 2001 and 2000 amounted to W5,763 million (including W4,030 million of early payment of severance benefits) and W137,323 million (including W131,569 million of early payment of severance benefits), respectively.

Provision for Possible Guarantee Losses -

The Bank provides a provision for possible losses on guarantees outstanding as determined based on a credit risk rating of the companies for which guarantees are provided. The Bank provides a provision of 20% or more of guaranteed amounts for companies classified as "substandard," 50% or more for "doubtful" and 100% for "loss." The allowance is shown in the liability section.

Notes to Non-consolidated Financial Statements

(Banking Accounts)

December 31, 2001 and 2000

Deferred Income Taxes -

The Bank records deferred income taxes which arises from temporary differences between amount reported for financial reporting purposes and income tax purposes. Income tax expenses comprise taxes payable for the period and the change in deferred tax assets and liabilities for the period.

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

Bonds purchased or sold under resale or repurchase agreements are included in loans and borrowings, respectively. The difference between the sale and repurchase price is treated as interest and accrued evenly over the life of the agreements.

Translation of Foreign Currency Financial Statements -

Accounts and records of the overseas branches are maintained in foreign currencies. For presentation in the accompanying financial statements, the financial statements of the branches have been translated at exchange rates as of the balance sheet date.

Derivative Financial Instruments -

Derivative financial instruments held for trading purposes are stated at fair value on the balance sheet date.

Derivative financial instruments for fair value hedges are stated at market. The gains and losses on the hedging instruments, as well as the related loss or gain on the hedged items, are recognized in current operations in the same accounting period.

Compensation to Trust Accounts -

The Bank receives management fees from trust accounts for the management and custodian services. Certain trust funds held by the Bank are guaranteed certain rate of return by the Bank. If the income from trust operations is insufficient to generate the required

rate of return, the deficiency may be either recovered from previously established special allowances 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 trust operations.

Statement of cash flows -

On the statement of cash flows, the Bank recorded the net cash inflows and outflows for loans, deposits and trading securities due to their frequent turnover and short-term maturity.

Reclassification of 2000 Accounts -

Certain accounts in the 2000 annual financial statements have been reclassified. These reclassifications have no effect on previously reported net income or retained earnings for 2000.

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 readers. Won amounts are expressed in U.S. Dollars at the rate of W1,326.1:US\$1, the basic rate on December 31, 2001. This presentation is not required by or in accordance with Korean generally accepted accounting principles and should not be construed as a representation that the Won amounts shown could be converted to or settled in U.S. Dollars at this or any other rate.

The 2000 U.S. Dollar amounts, which were previously expressed at W1,259.7: US\$1, the rate prevailing on December 31, 2000, have been restated to reflect the exchange rate in effect on December 31, 2001.

4. Cash and Due from Banks:

Cash and due from banks at December 31, 2001 and 2000 comprise the following:

	Annual Interest Rate (%)	Millions of Won	
	2001.12.31	2001	2000
Cash on hand in Won	-	W 142,842	W 82,333
Cash on hand in foreign currency	-	2,066	2,062
Due from banks in Won	0.0 - 8.6	97,146	466,212
Due from banks in foreign currency	0.0 - 5.2	2,431,379	4,631,097
		W 2,673,433	W 5,181,704

Due from banks in Won at December 31, 2001 and 2000 are summarized as follows:

Bank	Annual Interest Rate (%)	Millions of Won	
	2001.12.31	2001	2000
The Bank of Korea	-	W 62,720	W 172,641
Others	4.9 - 8.6	34,426	293,571
		W 97,146	W 466,212

Due from banks in foreign currency at December 31, 2001 and 2000 are summarized as follows:

Bank	Annual Interest Rate (%)	Millions of Won	
	2001.12.31	2001	2000
The Bank of Korea	-	W 40,774	W 10,767
Kookmin Bank	2.1 - 5.2	567,787	567,071
Hanvit Bank	2.4 - 4.3	217,480	88,179
KDB Asia (HK) Ltd.	2.4 - 2.6	281,398	170,060
KDB Ireland Ltd.	2.5 - 5.6	267,740	187,569
ING Bank	2.1	132,610	-
Seoul Bank	3.2	132,610	-
The Export-Import Bank of Korea	-	-	2,869,031
Others	2.1 - 8.0	790,980	738,420
		W 2,431,379	W 4,631,097

Restricted deposits included in due from banks at December 31, 2001 are as follows:

	Millions of Won
Reserve deposits with the Bank of Korea	W 62,720
China Construction Bank	4,783
Hanvit Bank	4,690
Kookmin Bank	27,454
Koram Bank	1,640
	W 101,287

Reserve deposits with the Bank of Korea represent amounts required under the Banking Act for the payment of deposits. Reserve deposits with China Construction Bank also represent amounts required under the related banking regulations of those countries. Deposits with Hanvit Bank, Kookmin Bank and others are pledged as collateral.

The maturity of amounts due from banks at December 31, 2001 is as follows (millions of won):

Matured on or before December 31	Due from banks in Won	Due from banks in foreign currency	Total
2002	W 70,434	W 2,262,821	W 2,333,255
2003	-	47,077	47,077
2004	5,362	30,500	35,862
2005	-	66,305	66,305
Thereafter	21,350	24,676	46,026
	W 97,146	W 2,431,379	W 2,528,525

5. Securities:

Trading securities at December 31, 2001 and 2000 comprise the following:

	Annual Interest Rate (%)	Millions of Won	
	2001.12.31	2001	2000
Marketable equity securities	-	W 10,243	W 236,613
Government and public bonds	4.4 - 7.7	110,108	89,919
Corporate bonds	2.0 - 9.0	170,486	152,034
Beneficiary certificates	6.0 - 9.0	375,702	452,276
Debt securities in foreign currency	0.0 - 9.75	580,106	731,915
Other	-	-	78,061
		W 1,246,645	W 1,740,818

Notes to Non-consolidated Financial Statements

(Banking Accounts)

December 31, 2001 and 2000

Par value, acquisition cost and fair value of trading debt securities at December 31, 2001 and 2000 are as follows (millions of won):

	Par Value		Acquisition Cost		Fair Value	
	2001	2000	2001	2000	2001	2000
Government and public bonds	W 110,000	W 89,000	W 108,967	W 89,986	W 110,108	W 89,919
Corporate bonds	171,139	153,139	169,765	149,819	170,486	152,034
Securities in foreign currency	590,524	776,884	578,601	733,071	580,106	731,915
	W 871,663	W 1,019,023	W 857,333	W 972,876	W 860,700	W 973,868

Trading securities in each foreign currency at December 31, 2001 and 2000 comprise the following:

	Foreign Currency (in thousands)		Millions of Won	
	2001	2000	2001	2000
USD	398,466	USD 581,023	W 528,406	W 731,915
DEM	35,021	-	20,996	-
EUR	22,844	-	26,787	-
SGD	5,459	-	3,917	-
			W 580,106	W 731,915

Investment securities at December 31, 2001 and 2000 comprise the following:

	Annual Interest Rate (%)		Millions of Won	
	2001.12.31		2001	2000
Equity Securities				
Investments using the equity method	-	W 6,034,406	W 1,949,543	
Investments not using the equity method	-	6,748,332	6,595,359	
		12,782,738	8,544,902	
Debt Securities				
Government and public bonds	3.0 - 17.5	2,913,054	2,904,267	
Corporate bonds	0.0 - 20.0	4,894,965	2,076,898	
Investment securities in foreign currency	0.0 - 13.8	2,444,203	1,470,362	
Other (*)	1.0 - 22.0	1,026,442	2,591,817	
		11,278,664	9,043,344	
		W 24,061,402	W 17,588,246	

(*) Investment securities amounting to W485,000 million are pledged as collateral to KDB First Securitization Specialty Co., Ltd. and others.
And investment securities amounting to W184,300 million are pledged for collateral.

Investments in debt securities available-for-sale at December 31, 2001 and 2000 comprise the following (millions of won):

	Par Value		Acquisition Cost		Market (Carrying) Value	
	2001	2000	2001	2000	2001	2000
Government and public bonds	W 97,943	W 205,676	W 68,033	W 205,542	W 158,879	W 213,518
Corporate bonds	4,077,799	2,079,619	4,118,184	2,029,782	4,036,957	1,973,761
Investment securities in foreign currency	2,140,878	802,156	1,521,545	584,520	1,428,171	454,348
Other	907,679	2,150,832	895,548	2,164,501	911,075	2,127,335
	W7,224,299	W5,238,283	W6,603,310	W4,984,345	W6,535,082	W4,768,962

Investments in debt securities held-to-maturity at December 31, 2001 and 2000 comprise the following (millions of won):

	Par Value		Acquisition Cost		Carrying Amount of Bonds	
	2001	2000	2001	2000	2001	2000
Government and public bonds	W2,764,362	W2,690,749	W2,756,469	W2,690,749	W2,754,175	W2,690,749
Corporate bonds	865,613	107,000	653,905	102,374	858,008	103,137
Investment securities in foreign currency	1,021,909	1,025,237	1,018,688	1,019,119	1,016,032	1,016,014
Other	115,384	470,511	115,366	463,509	115,367	464,482
	W4,767,268	W4,293,497	W4,544,428	W4,275,751	W4,743,582	W4,274,382

Equity investments at December 31, 2001 and 2000 comprise the following (millions of won):

	Ownership (%)		Acquisition Cost		Book Value		Fair Value or Net Book Value (*)	
	2001.12.31		2001	2000	2001	2000	2001	2000
Investments using the equity method:								
The KDB Capital Corp.	81.66	W	478,208	W 340,160	W 203,576	W 132,207	W 173,854	W 108,691
Daewoo Securities Co., Ltd.	36.72		563,247	232,548	563,442	148,535	421,421	117,354
Daewoo Shipbuilding & Marine Engineering Co. Ltd.	40.82		390,368	390,368	428,515	390,368	317,821	240,707
Daewoo Heavy Industries & Machinery Ltd.	21.91		173,078	173,078	186,153	173,078	146,891	133,998
Korea Electric Power Corporation	21.59		3,265,468	-	3,634,862	-	7,177,780	-
Seoul Debt Restructuring Fund	43.80		262,800	262,800	259,384	287,738	259,384	287,738
Arirang Restructuring Fund	43.73		145,800	145,800	132,763	136,940	132,763	136,940
Mukoonghwa Restructuring Fund	43.71		145,700	145,700	147,084	136,841	147,084	136,841
Hankang Restructuring Fund	23.01		145,700	145,700	147,802	137,411	147,801	137,411
Other			396,566	359,638	330,825	406,425	336,184	415,332
			5,966,935	2,195,792	6,034,406	1,949,543	9,260,983	1,715,012
Investments not using the equity method:								
Samsung Life Insurance	1.89		264,496	264,496	132,248	264,496	40,518	812
Industrial Bank of Korea	12.53		400,000	400,000	410,721	365,928	410,721	365,928
Korea Highway Corp	13.20		1,430,100	1,430,100	1,430,184	1,430,184	1,471,251	1,486,444
Korea National Housing Corp.	25.20		1,300,618	1,300,618	1,300,618	1,300,618	1,336,842	1,298,492
Korea Land Development Corp.	27.19		1,161,904	1,161,904	1,191,329	1,191,329	844,292	840,106
Korea Water Resources Corp.	8.25		671,307	671,307	671,307	671,307	745,646	584,218
Other			2,222,397	2,115,279	1,611,925	1,371,497	1,630,572	1,084,506
			7,450,822	7,343,704	6,748,332	6,595,359	6,479,842	5,660,506
			W13,417,757	W9,539,496	W12,782,738	W8,544,902	W15,740,825	W7,375,518

(*) Net book value is used in the case of non-listed investees.

Investment securities using the equity method at December 31, 2001 are summarized as follows (millions of won):

	Beginning Book Value	Acquisition (Disposition)	Dividends	Valuation Gain or Loss (*)	Capital Adjustment	Ending Book Value
The KDB Capital Corp.	W 132,207	W 138,373	W -	W(68,201)	W 1,197	W 203,576
Daewoo Securities	148,535	330,699	-	66,243	17,965	563,442
Daewoo Shipbuilding & Marine Engineering Co., Ltd.	390,368	-	-	39,965	(1,818)	428,515
Daewoo Heavy Industries & Machinery Ltd.	173,078	-	-	13,075	-	186,153
Seoul Debt Restructuring Fund	287,738	-	21,024	(7,330)	-	259,384
Arirang Restructuring Fund	136,940	-	-	(4,177)	-	132,763
Mukoonghwa Restructuring Fund	136,841	-	-	10,243	-	147,084
Korea Electric Power Corp.	-	3,265,468	-	371,068	(1,674)	3,634,862
Hankang Restructuring Fund	137,411	-	-	10,391	-	147,802
Other	406,425	33,921	110,240	3,305	1,069	330,825
	W1,949,543	W3,768,461	W131,264	W434,582	W16,739	W6,034,406

(*) Valuation gain or loss includes gain on foreign currency translation of W3,655 million.

The equity method adjustments are calculated as the differences between the initial purchase price and the Bank's initial proportionate ownership of net book value of investees at the time of purchase. Equity method adjustment debits are amortized over 5 years and equity method adjustment credits are amortized over 5 years (purchased before December 31, 2000) or weighted average useful lives of tangible assets of investees using the straight-line method. The accumulated unamortized equity method adjustments are as follows (millions of won):

Notes to Non-consolidated Financial Statements

(Banking Accounts)

December 31, 2001 and 2000

	2001		2000	
	Equity Method Adjustment Debit	Equity Method Adjustment Credit	Equity Method Adjustment Debit	Equity Method Adjustment Credit
Beginning balance	W 245,266	W 10,735	W 35,876	W 26,225
Increased (Decreased)	125,815	3,750,927	223,025	(13,242)
Amortized	(52,573)	(210,923)	(13,635)	(2,248)
Ending balance	W 318,508	W 3,550,739	W 245,266	W 10,735

Investment securities denominated in foreign currency at December 31, 2001 and 2000 comprise the following:

Foreign Currency (In thousands)				Millions of Won	
2001		2000		2001	2000
Securities available-for-sale					
USD	806,460	USD	351,969	W 1,069,448	W 443,375
JPY	32,448,921	JPY	274,689	327,539	3,025
EUR	7,699	EUR	-	9,028	-
DEM	33,021	DEM	9,901	19,797	6,010
SGD	2,549	SGD	-	1,829	-
CHF	669	CHF	2,450	530	1,916
BEF	-	BEF	744	-	22
				W 1,428,171	W 454,348
Securities held-to-maturity					
JPY	16,059,582	JPY	12,212,413	W 162,106	W 134,522
USD	643,938	USD	699,064	853,926	880,612
CHF	-	CHF	1,125	-	880
				W 1,016,032	W 1,016,014

Issuers of the securities held by the Bank at December 31, 2001 and 2000 are categorized as follows:

	Millions of Won		Percentage (%)
	2001	2000	2001.12.31
By Country			
The Republic of Korea	W 24,883,635	W 18,826,166	98.32
The Philippines	123,963	128,326	0.49
Thailand	19,094	37,432	0.08
Indonesia	20,909	64,299	0.08
Other	260,445	272,841	1.03
	W 25,308,046	W 19,329,064	100.00
By Issuer			
Korea Electric Power Corporation	W 3,634,862	W 377,338	14.36
Korea National Housing Corp.	1,603,433	1,300,618	6.34
Korea Highway Corporation	1,430,184	1,430,184	5.65
Korea Deposit Insurance Corp.	1,350,764	1,383,054	5.34
Korea Land Development Corp.	1,191,629	1,295,670	4.71
Korea Asset Management Corp.	761,243	829,211	3.01
Other	15,335,931	12,712,989	60.59
	W 25,308,046	W 19,329,064	100.00

	Millions of Won		Percentage (%)
	2001	2000	2001.12.31
By Industry			
Banking and insurance	W 7,208,018	W 7,579,135	28.48
Manufacturing	4,715,490	3,377,051	18.63
Construction	4,163,905	3,705,650	16.45
Electric, gas and water supply industry	4,147,909	641,551	16.39
Public administration and national defense	2,316,380	1,475,203	9.15
Other	2,756,344	2,550,474	10.90
	W 25,308,046	W 19,329,064	100.00

6. Loans:

Loans at December 31, 2001 and 2000 comprise the following:

	Millions of Won	
	2001	2000
Loans in Won	W 17,456,629	W 24,634,698
Loans in foreign currency	18,234,381	19,482,073
Other loans	13,746,730	8,465,317
	49,437,740	52,582,088
Less: Provision for possible loan losses	(1,835,652)	(2,163,037)
Present value discount account	(331,227)	(426,678)
	W 47,270,861	W 49,992,373

Loans in Won and foreign currency as of December 31, 2001 and 2000 comprise the following:

(1) Loans in Won

	Annual interest rate (%)	Millions of Won	
	2001.12.31	2001	2000
Loans for working capital:			
Industrial fund loans	4.7 - 15.0	W 5,045,799	W 7,867,942
Government fund loans	5.0 - 8.5	605,180	348,491
Overdrafts	7.0 - 13.2	333,729	473,760
Other	-	860,038	1,638,508
		6,844,746	10,328,701
Loans for facilities:			
Industrial fund loans	3.6 - 14.8	7,805,907	11,152,613
Government fund loans	5.0 - 8.5	1,040,819	1,518,618
Other	-	1,765,157	1,634,766
		10,611,883	14,305,997
		W 17,456,629	W 24,634,698

(2) Loans in foreign currency

	Annual interest rate (%)	Millions of Won	
	2001.12.31	2001	2000
Loans for working capital:			
Local currency loans denominated in foreign currencies	1.8 - 9.3	W 1,369,883	W 1,273,144
Foreign currency loans	0.9 - 10.1	1,317,037	1,724,916
Other	-	223,163	1,852
		2,910,083	2,999,912
Loans for facilities:			
Local currency loans denominated in foreign currencies	1.8 - 5.2	5,178,075	5,237,503
Foreign currency loans	0.6 - 11.0	2,509,006	2,963,265
Offshore loans in foreign currencies	2.2 - 11.0	1,753,187	2,691,234
ADB loans	3.5 - 6.7	1,335,968	1,267,583
IBRD loans	3.1 - 8.5	4,547,409	4,320,271
Other	-	653	2,305
		15,324,298	16,482,161
		W 18,234,381	W 19,482,073

Notes to Non-consolidated Financial Statements

(Banking Accounts)

December 31, 2001 and 2000

(3) Other loans

	Millions of Won	
	2001	2000
Notes purchased	W 4,340	W 4,655
Bills purchased	3,511,753	2,651,287
Advances for customers	155,629	242,119
Bonds purchased under repurchase agreements	-	209,376
Call loans	2,054,998	972,342
Domestic import usance bills	806,170	1,861,803
Debentures accepted by private subscription (*)	6,686,098	2,485,265
Other (**)	527,742	38,470
	W 13,746,730	W 8,465,317

(*) Debentures amounting to 283,100 million are intended to be sold in 3 month since acceptance.

(**) Included loans to be converted to equity of W501,247 million as follows:

	Amounts	Conversion Price	Restriction on disposition
Ssangyong Cement Co., Ltd.	W 260,000	5,000/share	Till December 31, 2005
Hynix Semiconductor Co., Ltd.	241,247	market price	Till December 31, 2002
	W 501,247		

The maturity of loans in Won and foreign currency at December 31, 2001 are as follows:

Matured on or before December 31	Loans for working capital in Won	Loans for facility in Won	Loans for working capital in foreign currency	Loans for facility in foreign currency	Total
2002	W 4,524,664	W 1,618,749	W 1,672,199	W 2,214,538	W 10,030,150
2003	338,180	1,871,283	704,076	2,492,358	5,405,897
2004	421,626	2,002,345	236,352	2,122,202	4,782,525
2005	690,392	1,885,373	120,207	2,859,025	5,554,997
Thereafter	869,884	3,234,133	177,249	5,636,175	9,917,441
	W 6,844,746	W 10,611,883	W 2,910,083	W 15,324,298	W 35,691,010

At December 31, 2001 and 2000, a provision for possible loan losses and doubtful accounts is provided as follows:

	Millions of Won	
	2001	2000
Loans		
Loans in Won and foreign currency and notes purchased	W 1,349,978	W 1,650,364
Bills purchased	224,834	222,022
Advances for customers	17,976	57,787
Call loans	980	17,499
Domestic import usance bills	11,367	29,947
Debentures accepted by private subscription	135,086	149,339
Other loans	95,430	36,079
	1,835,651	2,163,037
Other assets	90,146	92,698
	W 1,925,797	W 2,255,735

Changes in the provision for possible loan losses during the years ended December 31, 2001 and 2000 are as follows (Millions of Won):

	2001			2000
	Loans	Other assets	Total	
Balance at beginning of year	W 2,163,037	W 92,698	W 2,255,735	W 3,403,550
Changes in overseas branch due to foreign currency translation	3,638	-	3,638	6,703
Transfer from loans repurchased	253,781	-	253,781	393,185
Write-offs due to loan restructuring	(158,557)	-	(158,557)	(150,799)
Current write-offs	(463,004)	-	(463,004)	(1,027,214)
Reversal	(138,786)	(2,552)	(141,338)	(381,141)
Others	175,542	-	175,542	11,451
	W 1,835,651	W 90,146	W 1,925,797	W 2,255,735

At December 31, 2001, classification of loans and provisions for possible loan losses are as follows:

Classification	Loans (*)	Provisions for possible loan losses	Ratio
Normal	W 42,432,793	W 221,397	0.5%
Special attention	3,564,134	451,926	12.7%
Substandard	1,310,030	564,543	43.1%
Doubtful	335,731	206,779	61.6%
Loss	391,006	391,006	100.0%
Others (**)	1,072,818	-	-
	W 49,106,512	W 1,835,651	3.7%

(*) Present value discounts are deducted.

(**) Loans to Korean government or loans guaranteed by Korean government.

The provision ratios to total loans and provision ratios to non-performing loans at December 31, 2001, 2000 and 1999 are as follows (millions of Won):

	2001	2000	1999
Total loans	W 49,106,512	W 52,155,410	W 46,494,537
Provisions for possible loss	1,835,651	2,163,037	3,201,167
Provision ratio	3.7%	4.1%	6.9%
Non-performing loans	W 2,036,767	W 4,444,737	W 7,767,938
Provisions for possible loss	1,162,328	1,882,229	2,921,712
Provision ratio	57.1%	42.3%	37.6%

Restructured loans for 2001 and 2000 due to court receivership, court mediation or other financial restructuring process are as follows:

	Millions of Won	
	2001	2000
Changes in contractual terms	W 879,102	W 2,016,184
Exemption	5,818	-
Conversion to equity investment	63,647	742,467
Conversion to convertible bonds	501,247	117,031
Total	W 1,449,814	W 2,875,682

When the contractual terms (i.e., principal, interest rate, or maturity) of impaired loans are restructured, the Bank adjusts the carrying amount of the impaired loans to the present value determined based on the restructured terms. The Bank recognizes losses arising from the restructuring of the impaired loans as incurred. Loans restructured by changes in contractual terms are as follows (in Millions of Won):

Notes to Non-consolidated Financial Statements

(Banking Accounts)

December 31, 2001 and 2000

	Period of Restructuring	
	2001	2000
Beginning		
Original amount before restructuring	W 2,588,016	W 2,430,217
Present value	2,161,338	1,943,249
Present value discount	426,678	486,968
Increase	158,557	157,050
Decrease (Amortization)	(254,008)	(217,340)
	(95,451)	(60,290)
Ending		
Original amount before restructuring	2,208,352	2,588,016
Present value	1,877,125	2,161,338
Present value discount	W 331,227	426,678

The present value discount is amortized using the effective interest rate method over the redemption period.

The Bank's loan portfolio by nation, major customers and industry as of December 31, 2001 and 2000 are categorized as follows:

	Millions of Won		Percentage (%)
	2001	2000	2001.12.31
By nation:			
The Republic of Korea	W 33,801,953	W 42,856,110	94.71
Indonesia	232,689	287,498	0.65
Russia	198,915	188,955	0.56
USA	87,523	214,147	0.25
Other	1,369,930	570,061	3.83
	W 35,691,010	W 44,116,771	100.00

	Millions of Won		Percentage (%)
	2001	2000	2001.12.31
By Customer:			
Small & Medium Industry Promotion Corp.	W 3,703,856	W 2,861,330	10.38
Korea Hydro & Nuclear Power Co., Ltd.	1,621,499	-	4.54
Korea Deposit Insurance Corp.	1,328,259	3,061,076	3.72
Korea Asset Management Corp.	1,165,942	1,131,559	3.27
Korean Airline Co., Ltd.	816,480	593,839	2.29
Korea Electric Power Corp.	235,409	5,573,650	0.66
Other	26,819,565	30,895,317	75.14
	W 35,691,010	W 44,116,771	100.00

	Millions of Won		Percentage (%)
	2001	2000	2001.12.31
By industry:			
Manufacturing	W 15,694,250	W 18,225,460	43.97
Banking and Insurance	5,417,795	11,013,829	15.18
Electric, gas and water supply industry	4,017,839	6,315,393	11.26
Transportation and communication	3,971,096	3,826,790	11.13
Public administration and national defense	4,176,728	411,815	11.70
Other	2,413,302	4,323,484	6.76
	W 35,691,010	W 44,116,771	100.00

7. Premises and Equipment:

Premises and equipment at December 31, 2001 and 2000 comprise the following:

	Millions of Won					
	Acquisition Cost or Revaluation		Accumulated Depreciation		Net Book Value	
	2001	2000	2001	2000	2001	2000
Land	W 361,828	W 417,070	W -	W -	W 361,828	W 417,070
Buildings and structures	355,783	169,152	21,152	15,637	334,631	153,515
Machinery	45,255	48,474	36,577	36,539	8,678	11,935
Vehicles	1,238	1,102	939	837	299	265
Construction in progress	107	150,829	-	-	107	150,829
Other	26,882	22,106	16,631	15,765	10,251	6,340
	W 791,093	W 808,733	W 75,299	W 68,778	W 715,794	W 739,954

In accordance with the Asset Revaluation Law, on July 1, 1998, the Bank revalued a substantial portion of its land and premises used for business purposes, based primarily on current replacement costs. The revaluation increment of W679,486 million, net of a revaluation tax payment of W11,288 million, was credited to capital surplus and used to offset accumulated deficit as approved by the Korean government on February 27, 1999.

At December 31, 2001 and 2000, the government-posted prices of the Bank's land are W263,890 million and W307,094 million respectively.

The Bank's premises and equipment, other than 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.

8. Other Assets:

Other assets at December 31, 2001 and 2000 comprise the following:

	Millions of Won	
	2001	2000
Prepaid expenses	W 354,977	W 458,190
Receivables	2,105,145	2,241,610
Accrued income	496,468	715,686
Intangible assets	42,125	31,425
Deferred tax asset	146,709	152,299
Other	609,124	567,946
	3,754,548	4,167,156
Loss: Provision for possible losses	(90,146)	(92,698)
Present value discount	(2,046)	(427)
	W 3,662,356	W 4,074,031

9. Deposits:

Deposits at December 31, 2001 and 2000 comprise the following:

	Annual interest rate (%)	Millions of Won	
	2001.12.31	2001	2000
Won currency deposits:			
Demand deposits			
Checking deposits	0.0 - 1.0	W 1,784	W 4,093
Temporary deposits	0.0	188,764	91,972
Passbook deposits	1.0	25,828	34,842
Other	0.0 - 1.0	234	99
		216,610	131,006
Time & savings deposits			
Time deposits	3.0 - 18.0	3,794,788	4,758,719
Installment savings deposits	0.0 - 17.9	165,544	127,781
Savings deposits for corporate	0.0 - 4.1	2,094,579	1,268,512
Savings deposits	-	196,744	330,973
Long-term savings for household	10.5 - 12.0	130,712	92,763
Other	-	70,453	26,056
		6,452,820	6,604,804
		W 6,669,430	W 6,735,810

Continued;

Notes to Non-consolidated Financial Statements

(Banking Accounts)

December 31, 2001 and 2000

Deposits at December 31, 2001 and 2000 comprise the following: (Continued:)

	Annual interest rate (%)		Millions of Won	
	2001.12.31	2001	2000	
Foreign currency deposits:				
Demand deposits				
Checking deposits	-	W 61,487	95,322	
Passbook deposits	0.0 - 0.9	399,474	31,114	
Temporary deposits	0.0 - 1.4	993	1,109	
Other	0.0 - 1.9	4,524	2,488	
		466,478	130,033	
Savings deposits				
Time deposits	0.1 - 7.4	1,097,033	267,149	
		1,563,511	397,182	
Negotiable certificates of deposits	0.0 - 6.7	2,250,394	1,388,975	
		W10,483,335	W8,521,967	

The maturities of time & savings deposits in Won and foreign currency at December 31, 2001 are as follows (Millions of Won):

Matured on or before December 31	Time Deposits	Savings Deposits	Time Deposits in Foreign Currency	Total
2002	W 3,203,244	W 125,253	W 1,086,300	W 4,414,797
2003	419,710	27,302	10,733	457,745
2004	171,834	12,989	-	184,823
	W 3,794,788	W 165,544	W 1,097,033	W 5,057,365

10. Borrowings:

Borrowings as of December 31, 2001 and 2000 comprise the following:

	Annual Interest Rate (%)		Millions of Won	
	2001.12.31	2001	2000	
Won currency borrowings				
Ministry of Finance and Economy	2.0 - 4.5	W 2,448,672	W 2,628,883	
Industrial Bank of Korea	4.2 - 6.0	368,223	267,215	
Small & Medium Industry Promotion Fund	4.5 - 5.75	310,230	336,009	
Ministry of Culture and Tourism	3.5	421,238	337,148	
Korea Energy Management Corporation	3.25 - 5	370,012	353,081	
Local governments	4.7	90,286	105,343	
Other	0.0 - 4.75	272,857	252,775	
		4,281,518	4,280,454	
Foreign currency borrowings				
Small & Medium Industry Promotion Fund	5.4 - 6.0	1,311	4,120	
KFW (Germany)	Libor+2.0	44,755	47,953	
ADB	6M Libor	3,988,168	3,786,983	
IBRD	6M Libor	6,262,696	8,817,900	
The Japan Bank of International Cooperation ("JBIC")	2.0 - 2.2	269,634	295,245	
The Bank of Korea	1.9 - 3.9	254,712	388,553	
Other	0.2 - 5.6	4,357,012	3,419,063	
		15,178,288	16,759,817	
Other borrowings				
Bonds sold under repurchase agreement		1,324,756	1,629,949	
Notes sold		2,838	201,790	
Call money		565,978	692,021	
		1,893,572	2,523,760	
		W 21,353,378	W 23,564,031	

The repayment of W339,345, W87,910, and W3,930 million included in the borrowings above are guaranteed by the Korean government, Export Insurance Corporation in Germany and Export Insurance Corporation in Switzerland, respectively.

The Bank entered into an agreement with the JBIC (Japan Bank for International Cooperation) relating to W269,634 millions of loans to be used for designated purposes. As of December 31, 2001, the Bank has local loans denominated in foreign currency and foreign currency loans amounting W249,941 million and W19,693 million, respectively, relating to this borrowing.

The maturities of borrowings in Won and foreign currency at December 31, 2001 are as follows (Millions of Won):

Matured on or before December 31	Won Currency Borrowings	Foreign Currency Borrowings	Total
2002	W 421,350	W 2,598,551	W 3,019,901
2003	422,945	1,303,889	1,726,834
2004	589,884	3,760,712	4,350,596
2005	571,290	2,296,893	2,868,183
2006	521,576	961,380	1,482,956
Thereafter	1,754,473	4,256,863	6,011,336
	W 4,281,518	W 15,178,288	W 19,459,806

The subordinated debt included in borrowings at December 31, 2001 comprises the following:

Type	Annual Interest Rate (%)	Millions of Won	Condition of Borrowings
Government fund	4.0 - 4.5	W 2,448,301	Installment reimbursement
AID relending facilities	2.0	371	"
ADB relending facilities	6M Libor	3,988,168	Lump sum reimbursement
IBRD relending facilities	6M Libor	6,262,696	Installment reimbursement
		W 12,699,536	

11. Industrial Finance Bonds:

Industrial finance bonds ("IFB") as of December 31, 2001 and 2000 comprise the following:

	Annual Interest Rate (%)	Millions of Won	
	2001.12.31	2001	2000
IFB in Won	1.0 - 12.4	W 24,491,004	W 25,093,529
IFB in foreign currency	1.2 - 8.6	9,494,910	9,901,203
Offshore IFB in foreign currency	1.7 - 9.0	2,649,953	3,492,038
		36,635,867	38,486,770
Premiums on IFB		292	594
Discounts on IFB		(81,868)	(126,750)
		W 36,554,291	W 38,360,614

Under the Korea Development Bank Act, the Bank has authority to issue industrial finance bonds. The amount of issued bonds and guarantees outstanding by the Bank are limited to the amount of 30 times of paid-in capital and legal reserve. Bonds purchased or guaranteed by the government are not included in the limit. When existing bonds are refinanced or guarantees are executed, the limit is temporarily not applied. The amount of issued bonds guaranteed by the Korean government as of December 31, 2001 and 2000 are W14,910 million and W27,801 million, respectively.

The Bank acquired W369,260 million and W261,263 million of industrial finance bonds as of December 31, 2001 and 2000, respectively. The treasury bonds are deducted from industrial finance bonds.

Notes to Non-consolidated Financial Statements

(Banking Accounts)

December 31, 2001 and 2000

The maturities of IFB at December 31, 2001 are as follows (Millions of Won):

Matured on or before December 31	IFB in Won	IFB in Foreign Currency	Offshore IFB in Foreign Currency	Total
2002	W 12,099,379	W 3,260,874	W 1,349,464	W 16,709,717
2003	4,764,859	713,639	251,296	5,729,794
2004	4,070,952	2,137,031	530,440	6,738,423
2005	2,624,423	793,355	56,092	3,473,870
2006	824,911	2,590,011	413,356	3,828,278
Thereafter	106,480	-	49,305	155,785
	W 24,491,004	W 9,494,910	W 2,649,953	W 36,635,867

(*) Premium and discount on bond are excluded.

12. Other Liabilities:

Other liabilities at December 31, 2001 and 2000 comprise the following:

	Millions of Won	
	2001	2000
Payables	W 2,093,876	W 1,935,705
Accrued expenses	862,699	1,452,578
Advanced income	203,996	212,817
Guarantee deposits	37,406	41,158
Advance received on IFB	6,249	38,114
Provisions for possible other losses	227,194	695,607
Trust account debit	370,890	-
Other	108,561	282,023
	W 3,910,871	W 4,658,002

13. Guarantees Outstanding and Commitments:

The Bank provides guarantees for its customers. Guarantees outstanding and the related provision for possible loss as of December 31, 2001 are as follows (millions of Won):

	Guarantees Amount		Provision for Possible Loss	
	2001	2000	2001	2000
Acceptances	W 4,443,871	W 4,582,257	W 56,733	W 158,799
Guarantees on local borrowings	1,285,079	1,782,979	7,255	71,346
Guarantees on indebtedness in foreign currency	4,109,326	3,641,879	75,730	136,342
Letters of guarantee for importers	34,330	56,727	1,262	1,008
	W 9,872,606	W 10,063,842	W 140,980	W 367,495

The unsettled guarantees and commitments provided by the Bank as of December 31, 2001 and 2000 are as follows.

	Millions of Won	
	2001	2000
Unsettled guarantees		
Local L/C issuance	W 11,695	W 10,096
Foreign L/C issuance	1,376,794	1,649,086
Others	455,070	424,937
	1,843,559	2,084,119
Commitments		
For loans in won	6,827,927	2,978,400
For loans foreign currency	612,450	-
	7,440,377	2,978,400
Bonds sold under repurchase agreements	781,532	1,222,464
	W 10,065,468	W 6,284,983

14. Commitments and Contingencies:

During 1998, the Bank sold with recourse W3,084,141 million of non-performing loans classified as substandard or below to the Korea Asset Management Corporation for proceeds of W1,339,629 million. The resulting loss was recorded as a loss on disposition of loans during 1998. During 2001, the Bank recognized losses from the settlement of such loans in the amount of W1,187 million. As of December 31, 2001, the Bank recorded a provision for possible losses from disposition of unsettled loans amounting to W220,677 as other liabilities (see Note 12).

Loans sold off to KDB First Securitization Specialty Co., Ltd. and others in accordance with Asset Securitization Plan at December 31, 2001 comprise the following:

	Disposal Date	Book Value	Selling Price	Retained Subordinated Debt Securities	Collateral (*)
KDB First SPC	June 8, 2000	W 950,627	W 600,000	W 201,800	W 120,000
KDB Second SPC	November 8, 2000	914,764	423,600	143,600	80,000
KDB Third SPC	September 20, 2001	1,793,546	949,900	349,900	185,000
KDB Fifth SPC	December 13, 2001	765,358	528,400	238,400	100,000
		W 4,424,295	W 2,501,900	W 933,700	W 485,000

(*) Investment securities are provided as collateral (see Note 5).

According to the contracts on asset transfer stipulating warranty for the assets above, the Bank has a responsibility of warranty up to the 30 percent of the proceeds when the principal or a part of the interest is not repaid at the expected due date of cash flows payment schedule.

The Bank sold off W3,120,559 million and W3,935,457 million of loans in 2001 and 2000 to KDB LONESTAR CRC and Korea Asset Management Corporation. The Bank recorded gains and losses from the disposition of the loans amounting to W497,109 million and W1,571,413 million in 2001, respectively, and W82,077 million and W1,905,302 million in 2000, respectively.

The Bank has provided credit lines to several securitization specialty companies in an amount of W6,927,837 million, of which W99,910 million was withdrawn as of December 31, 2001.

The Bank received 377,852 shares of Samsung Life Insurance in 2000 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 at 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 short fall, in case the donated shares fall short of the Samsung Motors' debt.

However, Samsung Group companies have not performed the duty to compensate the short fall up to the balance sheet date. The collectible amount is to be determined through a judicial procedure against the Samsung Group companies. Considering the uncertainty of the net realizable amount, the Bank in 2001, devalued by 50 percent of the value initially assessed, W132,248 million.

As discussed in Note 6 to the financial statements, the Bank has outstanding loans to Daewoo Group Companies and other work-out companies. The actual losses from these loans may differ from management's current estimation.

Beginning in 1997, Korea and other countries in the Asia Pacific region experienced a severe contraction in substantially all aspects of their economies. This situation is commonly referred to as the 1997 Asian financial crisis. In response to this situation, the Korean government and the private sector began implementing structural reforms to historical business practices.

The Korean economy continues to experience difficulties, particularly in the areas of restructuring private enterprises and reforming the banking industry. The Korean government continues to apply pressure to Korean companies to restructure into more efficient and profitable firms. The banking industry is currently undergoing consolidation and uncertainty exists with regard to the continued availability of financing. The Bank may be either directly or indirectly affected by the situation described above.

The Bank provided loans of W6,489,516 million and securities of W644,700 million on 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 and securities. Actual results of the credit loss from the loans to the customers could differ from the provisions reserved.

Notes to Non-consolidated Financial Statements

(Banking Accounts)

December 31, 2001 and 2000

15. Derivative financial instruments and the related contracts:

The Bank utilizes derivative financial instruments to hedge against financial market risks or for trading purposes.

In case of trading purposes, the Bank uses futures & forward contracts, swaps, options, in order to gain a profit from short-term fluctuations of the underlying value of the derivatives, by forecasting the future interest rate, exchange rate or other variables affecting the value of the instruments. Furthermore, the Bank also trades the instruments to hedge against the derivative financial instruments purchased by the Bank's customers.

Additionally, the trading derivatives include the derivatives used to hedge exchange rate of the Bank's foreign currency assets & liabilities and interest rate of the Bank's loans and borrowings, which the underlying assets and liabilities are already valued at fair market value in accordance with the financial accounting standards accepted in the Republic of Korea or the position hedging transactions in which derivative instruments are not specifically identified to the underlying transactions.

The hedging instruments generally include the cross currency swaps and/or interest rate swaps used to hedge the borrowings and bonds denominated in foreign currency from the exchange rate and/or the interest rate risks. Those hedging transactions are made with foreign financial institutions and domestic banks. The hedging instruments also include the interest swaps used to reduce interest rate risks of the Industrial Finance Bonds Issued in Won.

The unsettled contract amount of the Bank's derivatives and the related valuation gain(loss) are as follows:

	The unsettled contract amount			Valuation gain / loss (I/S)			
	Total	Trading purpose	Hedging purpose	Total	Trading purpose	Hedging purpose	Valuation gain/loss (B/S)
Currency							
Forward	W 5,679,599	W 5,679,599	W -	W (81,454)	W (81,454)	W -	W (16,079)
Futures	16,178	16,178	-	316	316	-	-
Swap	15,827,030	13,103,610	2,723,420	(240,233)	272,228	(512,461)	(514,834)
Call options	545,959	545,959	-	8,153	8,153	-	9,383
Put options	666,984	666,984	-	(6,959)	(6,959)	-	(11,213)
	22,735,750	20,012,330	2,723,420	(320,177)	192,284	(512,461)	(532,743)
Interest rate							
Futures	-	-	-	-	-	-	-
Swap	9,299,798	9,299,798	-	(2,251)	(2,251)	-	-
Call options	26,039,151	24,664,568	1,374,583	97,946	(98,547)	196,493	292,385
Put options	50,000	50,000	-	682	682	-	1,633
	100,000	100,000	-	(735)	(735)	-	(3,265)
	35,488,949	34,114,366	1,374,583	95,642	(100,851)	196,493	290,753
Stock price index							
Options	432	432	-	1	1	-	-
	6,400	6,400	-	(8)	(8)	-	128
	13,680	13,680	-	(13)	(13)	-	(110)
	20,512	20,512	-	(20)	(20)	-	18
	W58,245,211	W54,147,208	W4,098,003	W (224,555)	W 91,413	W (315,968)	W(241,972)

The Bank adopted the revised accounting standards for derivative financial instruments for hedging purposes from 2000 (see Note 2).

16. Equity:

Paid-in Capital -

The Bank increased and decreased its paid-in capital several times including a W3,000,000 million investment in kind of June 20, 2001, W50,000 million cash injection at December 29, 2001, and raising of W100,000 million and reducing of W959,800 million paid-in capital for the year ended in December 31, 2000. Paid-in capital of the Bank at December 31, 2001 is W7,161,861 million.

Capital Reserves -

In accordance with a resolution of the board of directors, the Bank decreased its paid-in capital used to offset accumulated deficit and the capital reserve of the Bank as of December 31, 2001 are as follows (Millions of Won):

Resolution of Board of Directors	Decrease of Paid in Capital	Offset Accumulated Deficit	Capital Reserve
October 27, 1998	W 4,218,800	W 4,184,046	W 34,754
November 22, 2000	959,800	950,181	9,619
	W 5,178,600	W 5,134,227	W 44,373

Legal Reserve -

The Korea Development Bank Act requires the Bank to appropriate net income as a legal reserve. This reserve can be transferred to paid-in capital or used to offset accumulated deficit.

Offset of Accumulated Deficit -

In accordance with the Korea Development Bank Act, the Bank offsets accumulated deficit with reserves. If reserves are insufficient to eliminate the accumulated deficit, the government should complement the deficiency. Offset accumulated deficit with the approval of the government since 1997 are as follow:

Year	Approval Date	Accounts	Millions of Won
1997	1998.2.19	Legal reserve	W 54,594
1998	1999.2.27	Legal reserve	W 9,522
		Revalued surplus	679,486
		Capital reserve	4,200,438
			W 4,889,446
2000	2001.2.28	Legal reserve	W 456,997
		Capital reserve	950,181
			W 1,407,178

Cumulative Effects of Accounting Changes -

According to the revised financial accounting standards generally accepted in the Republic of Korea and new accounting standards for the banking industry, the Bank adopted or changed certain accounting methods effective January 1, 2000. Retained earnings as of the beginning of 2001 and 2000 have been changed for the effect of application of new methods and the valuation of investment by equity method as follows (Millions of Won):

	2001	2000
Losses on valuation of derivative financial instruments	W -	W (35,250)
Effects on valuation of investment by equity method	472	26,504
	W 472	W (8,746)

Capital adjustments -

Changes in gains or losses on valuation of investment securities accounted as capital adjustments are as follows (millions of Won):

	2001			2000
	Investments in Equity Securities	Investments in Debt Securities	Total	Total
Beginning Balance	W (364,834)	W 6,766	W (358,068)	W 775,820
Decrease due to disposal	(71,767)	13,960	(57,807)	(500,203)
Current valuation gains or losses	95,094	(61,436)	33,658	(633,685)
Ending Balance	W (341,507)	W (40,710)	W (382,217)	W (358,068)

Notes to Non-consolidated Financial Statements

(Banking Accounts)

December 31, 2001 and 2000

17. Other Non-Interest Revenue (Expense):

Other non-interest revenue (expense) for the years ended December 31, 2001 and 2000 comprises the following (millions of Won):

	2001	2000
Other Non-Interest Revenue		
Gain on foreign currency transaction	W 392,429	W 927,760
Reversal of provision for possible losses on guarantees outstanding	105,125	150,731
Reversal of provision for possible loan losses	141,338	381,141
Others	64,032	85,370
	W 702,924	W 1,545,002
Other Non-Interest Expense		
Loss on foreign currency transaction	W 351,051	W 430,417
Education tax	27,208	32,574
Deposit insurance expenses	4,277	22,135
Donations	41,360	40,766
Others	85,492	95,716
	W 509,388	W 621,608

18. General and Administrative Expenses:

General and administrative expenses for the years ended at December 31, 2001 and 2000 comprise the following:

	Millions of Won	
	2001	2000
Salaries	W 110,905	W 101,831
Retirement allowance	13,176	27,244
Employee benefits	20,984	19,064
Rent	6,214	5,644
Depreciation	21,662	18,551
Taxes and dues	11,024	10,335
Printing	3,325	3,066
Travel	3,134	2,839
Commission	8,560	9,129
Other	42,248	32,295
	W 241,232	W 229,998

19. Non-operating Income (Expense):

Non-operating income (expense) for the years ended December 31, 2001 and 2000 comprise the following:

	Millions of Won	
	2001	2000
Non-operating income		
Gain on disposition of premises and equipment	W 75	W 1,374
Rental income	2,356	5,215
Gain on disposal of loans	497,109	82,077
Gain from investment securities	819,397	526,786
Other	25,326	6,615
	1,344,263	622,067
Non-operating expenses		
Loss on disposition of premises and equipment	17,584	1,644
Loss on disposal of loans	1,571,413	1,905,302
Loss from investment securities	312,380	713,183
Other	1,797	17,118
	1,903,174	2,637,247
	W (558,911)	W (2,015,180)

20. Income Tax Expenses:

The statutory income tax rate applicable to the Bank, including resident tax surcharges, is approximately 30.8%. However, there was no income taxes payable except special additional taxes due to operating loss carry forward.

Income tax expense for the years ended December 31, 2001 and 2000 comprises the following:

	Millions of Won	
	2001	2000
Income taxes payable (special additional tax)	W 706	W 13
Deferred income taxes	5,434	-
Income taxes for overseas branches	821	614
	W 6,961	W 627

The tax effect of major tax adjustments for the years ended December 31, 2001 and 2000 are as follows:

	Millions of Won	
	2001	2000
Income before income tax expenses	W 115,917	W (1,397,804)
Computed tax at the expected statutory rate	35,702	(430,524)
Temporary differences (tax effect):		
Provision for possible loan losses	(148,473)	363,336
Provision for severance benefits	2,545	(25,549)
Loss on settlement of non-performing loans disposed	(144,271)	(3,308)
Loss on investments by equity method	(91,586)	174,119
Write-offs of loans	226,333	-
Provision for guarantees outstanding	(70,271)	(49,965)
Impairment loss on investment securities	(40,742)	79,485
Present value discount account	(72,436)	(18,569)
Other	(278,165)	296,959
	(617,066)	816,508
Permanent differences (tax effect):		
Dividends received deduction	(8,776)	(10,618)
Other	20,451	(126)
	11,675	(10,744)
Tax effect of taxable income	-	375,240
Tax effect of operating loss carryforward	-	(375,240)
Income taxes payable	W -	W -

Changes in temporary differences for the years ended December 31, 2001 and 2000 are as follows (millions of Won):

	Beginning balance	Decrease	Increase	Ending balance
Accrued severance benefits	W -	W -	W 8,264	W 8,264
Acquisition of stocks resulted from transferring capital surplus to common stocks	124,797	31,012	-	93,785
Loss on valuation of investment securities	12,881	-	100	12,981
Gain on valuation of trading securities	(207,365)	(160,395)	(14,917)	(61,887)
Impairment Loss on investment equity securities	865,326	323,835	156,654	698,145
Impairment Loss on investment debt securities	326,794	88,244	123,145	361,695
Present value discount account	426,678	235,181	-	191,497
Provision for possible loan losses	1,179,661	1,179,661	697,606	697,606
Provision for guarantees-outstanding	367,495	367,495	139,341	139,341
Loss on settlement of non-performing loans disposed	695,607	695,607	227,194	227,194
Loss on investment valuation by equity method	136,413	(43,273)	(340,629)	(160,943)
Write-offs of loans	-	-	734,846	734,846
Other	641,311	183,283	(834,416)	(376,388)
	4,569,598	2,900,650	897,188	2,566,136
Operating loss carryforward	1,407,021	-	2,151,060	3,558,081
	W5,976,619	W2,900,650	W3,048,248	W6,124,217
Gross deferred tax assets	W1,840,799			W1,818,892
Deferred tax assets recorded on the balance sheet	W 152,299			W 146,709

Considering future deductibility of accumulated deficit and temporary differences from future taxable income the Bank recorded W146,709 million out of total future tax benefits of W1,818,892 million.

Notes to Non-consolidated Financial Statements

(Banking Accounts)

December 31, 2001 and 2000

21. Average Amounts of Assets and Liabilities Related to Interest Income and Expenses:

Interest income or interest expenses and related average amounts of assets or liabilities for 2001 and 2000 are as follows (Millions of Won):

	2001		2000	
	Average amounts	Interest income or expense	Average amounts	Interest income or expense
(Asset)				
Due from banks	W 3,819,060	W 225,728	W 5,323,828	W 408,549
Securities	10,752,294	706,048	10,828,284	766,835
Loans	47,684,966	3,634,930	46,069,294	4,259,079
Others		16,269		23,508
		W 4,582,975		W 5,457,971
(Liabilities)				
Deposits	W 9,192,630	W 532,312	W 8,772,279	W 588,595
Borrowings	21,672,006	1,174,039	20,505,937	1,409,187
Bonds	36,740,049	2,597,114	38,451,833	3,268,223
Others		56,365		90,746
		W 4,359,830		W 5,356,751

22. Assets and Liabilities Denominated in Foreign Currencies:

Significant assets and liabilities denominated in foreign currencies at December 31, 2001 and 2000 are as follows:

	Thousands of U.S. \$ (*)		Millions of Won	
	2001	2000	2001	2000
(Assets)				
Foreign exchange	US\$ 1,558	US\$ 1,637	W 2,066	W 2,062
Due from bank	1,833,481	3,676,350	2,431,379	4,631,098
Trading securities	437,452	660,424	580,106	831,936
Investment securities	1,920,358	1,441,086	2,546,587	1,815,336
Bills bought	2,648,181	2,104,697	3,511,753	2,651,286
Call loans	1,135,800	613,549	1,506,184	772,888
Loans	13,750,382	15,409,869	18,234,381	19,411,812
Domestic import usance bills	607,925	1,477,973	806,170	1,861,803
Receivables	1,102,357	892,821	1,461,836	1,124,687
Other assets	1,070,746	440,433	1,419,916	554,813
	US\$ 24,508,240	US\$ 26,718,839	W 32,500,378	W 33,657,721
(Liabilities)				
Deposits	US\$ 1,516,651	US\$ 811,815	W 2,011,231	W 1,022,643
Borrowings	11,445,810	13,292,989	15,178,288	16,745,178
Bonds sold under repurchase agreement	281,532	191,232	373,340	240,895
Call money	204,342	278,496	270,978	350,821
Bond in foreign currency	9,136,761	10,587,997	12,116,259	13,337,700
Other	2,077,741	1,186,005	2,755,292	1,494,011
	US\$ 24,662,837	US\$ 26,348,534	W 32,705,388	W 33,191,248

(*) Foreign currencies denominated other than U.S. Dollars have been converted into U.S. Dollars by using the cross exchange rate in effect on December 31, 2001 and 2000.

23. Operation Results of Trust Accounts:

The income statement of the Trust Accounts for the years ended December 31, 2001 and 2000 are as follows:

	Millions of Won	
	2001	2000
(Revenue)		
Interest income	W 179,446	W 174,314
Gains on securities	193,267	51,420
Other	44,952	115,897
	W 417,665	W 341,631
(Expenses)		
Dividends of trust profit to beneficiaries	W 299,389	W 165,728
Commissions paid	185	1,616
Loss on securities	66,729	103,773
Taxes and dues	53	2,547
Trust fee to the Bank	22,596	17,605
Provisions for possible loan losses	17,072	40,020
Others	11,641	10,342
	W 417,665	W 341,631

24. Related Party Transactions:

Significant transactions which occurred in the ordinary course of business with related parties for the years ended December 31, 2001 and 2000 are as follows:

	Millions of Won	
	Loans	
	2001	2000
The KDB Capital Co., Ltd.	W 735,587	W 539,498
KDB Asia (HK) Ltd.	26,522	25,194
Daewoo Shipbuilding & Marine Engineering Co., Ltd.	412,914	126,329
Daewoo Securities Co., Ltd.	200,000	-
	W 1,375,023	W 691,021

25. Supplemental Cash Flow Information:

Transactions not involving an inflow or outflow of cash and cash equivalents are as follows:

	Millions of Won	
	2001	2000
Capital contribution in-kind	W 3,000,000	W -
Decrease in Capital	-	959,800
Transfer of accrued severance benefit to other account payable	-	112,669
Loans converted to equity securities	63,647	742,467