

Balance Sheets

(Trust Accounts)

December 31, 2001 and 2000

2001

2000

	In Millions of Korean Won	Thousands of U.S. Dollars (Note 3)	In Millions of Korean Won	Thousands of U.S. Dollars (Note 3)
ASSETS (Note 11)				
Cash deposits	W 98	US\$ 74	W -	US\$ -
Securities (Note 5)	2,731,304	2,059,651	2,098,166	1,582,208
Loans (Note 6)	104,515	78,814	137,001	103,311
Call loan	-	-	30,000	22,623
Receivables in trust (Note 7)	3,485,156	2,628,124	154,444	116,465
Real estate in trust (Note 8)	130,000	98,032	39,000	29,410
Accrued income	53,813	40,580	46,961	35,413
Due from banking accounts (Note 9)	360,534	271,875	58,238	43,917
Other assets	3,833	2,892	50,236	37,881
Provision for possible loan losses	(40,789)	(30,759)	(62,882)	(47,419)
	W 6,828,464	US\$ 5,149,283	W 2,551,164	US\$ 1,923,809
LIABILITIES (Note 11)				
Money trusts	W 2,937,624	US\$ 2,215,235	W 2,165,281	US\$ 1,632,819
Receivable money trusts	3,490,431	2,632,102	154,445	116,466
Mortgage bond trusts	130,000	98,032	39,000	29,409
Borrowings (Note 9)	50,415	38,017	113,690	85,732
Accrued trust dividends	197,207	148,712	58,045	43,771
Other liabilities	19,709	14,864	17,943	13,531
Provision for future trust losses	3,078	2,321	2,760	2,081
	W 6,828,464	US\$ 5,149,283	W 2,551,164	US\$ 1,923,809

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

Statements of Operations

(Trust Accounts)

for the years ended December 31, 2001 and 2000

	2001		2000	
	In Millions of Korean Won	Thousands of U.S. Dollars (Note 3)	In Millions of Korean Won	Thousands of U.S. Dollars (Note 3)
REVENUE (Note 11)				
Interest on securities	W 159,273	US\$ 120,107	W 149,521	US\$ 112,752
Interest on loans	14,943	11,268	19,959	15,051
Interest on call loans	689	519	137	103
Interest on due from banking accounts (Note 9)	5,939	4,479	3,862	2,912
Other interest income	4,541	3,424	4,697	3,543
	185,385	139,797	178,176	134,361
Gain on derivatives transactions	1,317	993	1,325	999
Gain from securities	193,267	145,741	51,420	38,775
Other income (Note 9)	22,129	16,687	95,041	71,670
Reversal of provision for possible loan losses	15,567	11,739	15,669	11,816
	417,665	314,957	341,631	257,621
EXPENSES (Note 11)				
Commission expenses	185	139	1,616	1,219
Loss on derivatives transactions	2,773	2,091	1,671	1,260
Loss from securities	66,729	50,320	103,773	78,254
Interest on borrowings (Note 9)	4,580	3,453	3,640	2,745
Management fees to the Bank (Note 9)	22,596	17,039	17,605	13,276
Other expenses	4,341	3,275	7,578	5,714
Provision for possible loan losses	17,072	12,874	40,020	30,179
	118,276	89,191	175,903	132,647
Dividend of trust profit to beneficiaries (Note 11)	W 299,389	US\$ 225,766	W 165,728	US\$ 124,974

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

Notes to Non-consolidated Financial Statements

(Trust 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.

Under the Trust Business Act, the Bank's trust funds held as fiduciary are accounted for and reported separately from the Bank's banking accounts.

2. Summary of Significant Accounting Policies:

The significant accounting policies applied in the preparation of the accompanying financial statements of the Bank Trust Accounts are summarized as follows:

Basis of Financial Statement Presentation -

The official accounting records of the Bank Trust Accounts are expressed and maintained in Korean Won in accordance with the Trust Business Act and related regulations in the Republic of Korea.

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.

For the convenience of the readers, the accompanying financial statements have been condensed, restructured and translated into English from the Bank Trust Accounts' statutory Korean language financial statements with certain expanded descriptions. Such financial statements are not intended to present the financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea.

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 on the date of the 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.

Revenues and Expenses of Trust Accounts -

Trust accounts comprise trust operating revenues and expenses, management fees to the Bank, and dividends of trust profit to the beneficiaries of the trust accounts. The management fees to the Bank are recognized as income of the banking accounts of the Bank.

Interest Income Recognition -

The Bank Trust Accounts recognize 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.

Securities -

Listed stocks and beneficiary certificates are valued at market value. Non-marketable equity securities are valued at cost unless the net book value of the issuer declined significantly, and remote possibility of recovery exists.

Bonds held by trust accounts organized before November 15, 1998 are valued at cost less possible losses in accordance with the transitional provisions of Trust Business Act and related regulations. Effective July 1, 2001, new accounts of the trusts are prohibited.

Bonds held by other trust accounts are recorded at fair market value.

Following table shows bonds valuation method of each trusts:

Cost Method	Fair Value Method
General unspecified money trusts	Unspecified money trusts
Installment money trusts	Retirement money trusts
Development trusts	Additional money trusts
Corporation money trusts	New individual pension trusts
Old-age living pension trusts	New old-age living pension trusts
Individual pension trusts	Pension trusts
Household long-term trusts	Real estate investments trusts
Employee retirement trusts	Specified money trusts
Labor preferential trusts	
New installments trust	

Provision for Possible Loan Losses -

The Bank Trust Accounts provide allowances 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 percentage 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%

Restructuring of Impaired Loans -

Restructured loans due to financial restructuring programs of borrowers, court mediation or negotiation, are revalued using the adjusted interest rate. The difference between book value and the readjusted value is offset against the provisions for possible loan losses, and the remaining difference is recognized as bad debt expenses in the year incurred. Also, the difference between the adjusted nominal value and the present value is recorded as liability and amortized using the effective interest rate. Resulting amortization is recognized as other interest income.

Derivative Financial Instruments -

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

Derivative financial instruments for fair value hedges are stated at market value. 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.

Due From Banking Accounts -

The Bank Trust Accounts deposit cash with the Bank. Such deposits are recorded as due from banking accounts by the Bank Trust Accounts. Interest on these deposits is computed and recorded daily.

Notes to Non-consolidated Financial Statements

(Trust Accounts)

December 31, 2001 and 2000

Provision for Future Trust Losses -

In accordance with the Trust Business Act, guaranteed principal or rate of return trusts are required to set up a special allowances of more than 25% of management fees to the Bank until the total allowances equals 5% of the related trust balance.

Management Fees -

The Bank's banking accounts receive management fees from the trust accounts for its management of trust assets and operations in accordance with the relevant laws, regulations and articles applicable to each trusts. The Bank records this amount as income from trust operations.

Compensation from the Bank -

Certain money trust agreements provide that the Bank guarantees a minimum rate of return. In relation to such guarantees, if the income from trust operations is insufficient to generate the required rate of return, the deficiency may be either recovered from previously established provisions for future trust losses or compensated by the Bank's banking accounts. Such compensation is accounted for as other incomes of the trust accounts in accordance with the relevant laws, regulations and articles applicable to trust operations. The banking accounts compensated 86,212 million won for the loss of certain trust accounts for the periods ended at December 31, 2000.

Securities Investment Trust Accounts -

Securities investment trust accounts, for which the Bank asks as custodians, are not included in financial statements of trust accounts due to the guidelines of the Financial Supervisory Service.

Receivables in Trust -

The Bank Trust Accounts record entrusted receivables as receivables in trust in the asset section and receivable money trust in the liability section. The collected amounts from the receivables are paid to the beneficiary of the trust. The Bank's banking accounts receive management fee.

Real Estate in Trust -

In accordance with the Mortgage Bonds Trust Acts, the Bank Trust Accounts record real estates entrusted as collaterals for bonds as real estate in trust in the asset section and mortgage bond trusts in the liability section. The Bank's banking accounts receive management fee.

3. United States Dollar Amounts:

The Bank Trust Accounts 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. Nature of Money Trust Accounts:

The details of the Bank's money trust accounts are as follows:

Trusts	Trust terms		Millions of Won	
	Maturity (years)	Note	2001	2000
General unspecified money trusts	over 1.5	Note 1	13	26
Installment money trusts	over 1.5	Note 3	19,903	99,639
Development trusts	2,3 and 5	-	2,849	19,987
Corporation money trusts	1.5	Note 1	58,157	67,868
Household money trusts	1.5	Note 3	17,496	22,590
Old-age living pension trusts	over 5	Note 3	53,764	50,840
Specified money trusts	over 0.25	Note 2	1,187,422	1,259,117
Individual pension trusts	over 10	-	83,803	57,730
Household long term trusts	3 ~ 5	Note 2	164,019	160,743
Employee retirement trusts	retirement	-	-	24,426
Labor preferential trusts	3 ~ 5	Note 2	43,666	35,110
New installment trusts	over 1.5	-	148,246	172,425
Unspecified money trusts	1	-	61,750	-
Retirement trusts	-	-	396,827	45,607
Additional money trusts	1	Note 2	533,358	142,897
New individual pension trusts	over 10	-	5,278	1,227
New old-age living pension trusts	over 5	Note 2	152,352	5,048
Pension trusts	over 11	Note 2	2,903	-
Real estate investment trusts	1, 1.5	Note 2	5,820	-

Note 1) Fixed rate of return is guaranteed by the Bank.

Note 2) Repayment of principal is guaranteed by the Bank.

Note 3) Repayment of principal is guaranteed for the accounts set up before April 30,1996.

5. Securities:

Securities as of December 31, 2001 and 2000 are as follows:

	Annual Interest Rate (%)	Millions of Won	
	2001.12.31	2001	2000
Equity securities	-	W 340,227	W 343,786
Government bonds	4.4 - 9.0	290,808	116,166
Monetary stabilization bonds	4.5 - 8.9	140,399	214,228
Other financial bonds	8.9 - 9.3	24,912	55,986
Corporate bonds	4.8 - 22.5	1,427,467	792,992
Commercial paper	2.1 - 11.6	407,554	406,086
Beneficiary certificates	-	88,757	77,861
Uncollateralized loans	5.2 - 9.4	11,180	91,061
		W 2,731,304	W 2,098,166

Investments in bonds classified by valuation methods as of December 31, 2001 are as follows:

	Trusts Using Cost Methods	Trusts Using Fair Value Methods	Total
Government bonds	W 25,199	W 265,609	W 290,808
Monetary stabilization bonds	39,220	101,179	140,399
Other financial bonds	24,912	-	24,912
Corporate bonds	335,166	1,092,301	1,427,467
Others	10,979	201	11,180
	W 435,476	W 1,459,290	W 1,894,766

6. Loans:

Loans as of December 31, 2001 and 2000 are as follows:

	Annual Interest Rate (%)	Millions of Won	
	2001.12.31	2001	2000
Loans collateralized by:			
Marketable securities	5.8 - 13.0	W 2,019	W 1,871
Real estates	9.9 - 14.5	10,516	17,557
Bonds	5.7 - 14.0	7,672	12,993
Beneficiary certificates	6.4 - 16.9	26,851	87,029
Letter of guarantee	12.0 - 12.5	239	960
Other loans	6.0 - 15.0	57,218	16,591
		W 104,515	W 137,001

7. Receivables in Trust:

Receivables in trust as of December 31, 2001 and 2000 are as follows:

	Millions of Won	
	2001	2000
Receivables trusted by:		
Hyundai Merchant Marine	W 93,604	W 154,444
Doosan Construction & Engineering (Wol-gok)	193,072	-
Doosan Construction & Engineering (Duk-so)	60,031	-
Asiana Airlines (1st)	1,879,294	-
Asiana Airlines (2nd)	1,259,155	-
	W 3,485,156	W 154,444

Notes to Non-consolidated Financial Statements

(Trust Accounts)

December 31, 2001 and 2000

8. Real Estate in Trust:

Real estate in trust as of December 31, 2001 and 2000 are as follows (Millions of Won):

	2001		2000
Trusted by:		Trusted by:	
Hanwha Resort	W 30,000	Hyosung	W 21,000
LG Industrial systems	100,000	Daelim	18,000
	W 130,000		W 39,000

9. Related Party Transactions:

Significant transactions with the Bank's banking accounts are as follows (Millions of Won):

Assets or Liabilities:	2001	2000
Due from banking accounts	W 360,534	W 58,238
Borrowings from banking accounts	50,415	113,690
Revenues or Expenses:	2001	2000
Interest income on due from banking accounts	W 5,939	W 3,862
Interest expense on borrowings from banking accounts	4,580	3,640
Management fee	22,596	17,605
Other income (compensation from bank)	-	86,212

Transactions and transfers among trust accounts during 2001 and 2000 are W16,707 million and W75,118 million, respectively.

10. Contingencies:

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 Trust Accounts may be either directly or indirectly affected by the situation described above.

11. Details of Trust Accounts:

The followings are condensed balance sheets and statements of operations of Trust Accounts by category as of December 31, 2001 and 2000.

Condensed Balance Sheets -

	Guaranteed principal or rate of return trusts	Co-mingled	Non-guaranteed trusts	Property Trusts	Total
Marketable securities	W 504,166	W 89,053	W 2,138,084	W -	W 2,731,303
Loans	53,375	8,303	42,837	-	104,515
Financial Bonds	-	-	-	3,485,156	3,485,156
Due from Banking accounts	235,897	5,400	113,930	5,307	360,534
Others	12,589	921	44,235	130,000	187,745
Provision for possible loan losses	(36,642)	(2,014)	(2,133)	-	(40,789)
Total in 2001	W 769,385	W 101,663	W 2,336,953	W 3,620,463	W 6,828,464
Total in 2000	W 342,977	W 196,762	W 1,817,981	W 193,444	W 2,551,164

Continued;

Condensed Balance Sheets - (Continued:)

	Guaranteed principal or rate of return trusts	Co-mingled	Non-guaranteed trusts	Property Trusts	Total
Money and other trusts	W 697,788	W 95,555	W 2,144,280	W 3,620,431	W 6,558,054
Trust dividends payable	6,569	5,612	184,994	32	197,207
Provision for future trust losses	2,976	103	-	-	3,079
Borrowings	50,415	-	-	-	50,415
Others	11,637	393	7,679	-	19,709
Total in 2001	W 769,385	W 101,663	W 2,336,953	W 3,620,463	W 6,828,464
Total in 2000	W 342,977	W 196,762	W 1,817,981	W 193,444	W 2,551,164
Revenue:					
Interest on marketable securities	W 29,275	W 11,118	W 118,880	W -	W 159,273
Interest on Loans	6,241	3,177	5,525	-	14,943
Gains on securities	5,946	1,052	186,269	-	193,267
Interest on due from Banking accounts	1,337	488	4,082	32	5,939
Reversal of provision for possible loan losses	12,385	1,938	1,244	-	15,567
Other revenues	6,664	139	21,873	-	28,676
	61,848	17,912	337,873	32	417,665
Expenses:					
Loss on securities	9,507	427	56,795	-	66,729
Trust fees to the Bank	9,745	2,318	10,533	-	22,596
Provisions for future trust losses	1,158	53	-	-	1,211
Provisions for possible loan losses	12,797	2,022	2,253	-	17,072
Other expenses	8,550	126	1,992	-	10,668
	41,757	4,946	71,573	-	118,276
Dividends of Trust Profit to Beneficiaries					
Total in 2001	W 20,091	W 12,966	W 266,300	W 32	W 299,389
Total in 2000	W 46,050	W 26,574	W 93,104	W -	W 165,728