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INFORMATION MEMORANDUM



The Korea Development Bank

(a statutory juridical entity established under
The Korea Development Bank Act of 1953, as amended, in The Republic of Korea)

U.S.\$5,000,000,000

**Euro Medium Term Note Programme
for the issue of Notes with a minimum maturity of 1 month**

Under this U.S.\$5,000,000,000 Euro Medium Term Note Programme (the "Programme") The Korea Development Bank (the "Issuer" or the "Bank") may from time to time issue Euro Medium Term Notes (the "Notes") denominated in such currencies as may be agreed with the Purchaser(s) (as defined below). This Information Memorandum supersedes any previous Information Memorandum and supplements thereto. Any Notes to be issued after the date hereof under the Programme, which has been amended and restated as at the date hereof as described herein, are issued subject to the provisions set out herein. This does not affect any Notes issued prior to the date hereof.

The Notes will have a minimum maturity of 1 month from the date of issue (except as set out herein) and, subject as set out herein, the maximum aggregate nominal amount of all Notes from time to time outstanding will not exceed U.S.\$5,000,000,000 (or its equivalent in other currencies at the time of agreement to issue, subject as further set out herein).

The Notes may be issued on a continuing basis to one or more of the Dealers specified on page 1 (each a "Dealer" and together the "Dealers", which expression shall include any additional Dealer appointed under the Programme from time to time). Notes may also be issued to persons other than Dealers. Dealers and such other persons are referred to as "Purchasers".

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000, as amended (the "UK Listing Authority") for the Notes issued under the Programme during the period of 12 months from the date hereof to be admitted to the official list of the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such Notes to be admitted to trading on the London Stock Exchange's market for listed securities. Admission to the Official List together with admission to the London Stock Exchange's market for listed securities constitute official listing on the London Stock Exchange. Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes, and any other terms and conditions not contained herein which are applicable to each Tranche (as defined on page 15) of Notes will be set forth in a pricing supplement (the "Pricing Supplement") which, with respect to Notes to be admitted to the Official List and admitted to trading by the London Stock Exchange (the "Listed Notes"), will be delivered to the UK Listing Authority and the London Stock Exchange on or before the date of issue of the Notes of such Tranche and will be available from FT Business Research Centre operated by FT Interactive Data at Fitzroy House, 13-17 Epworth Street, London EC2A 4DL and from the specified office set out below of each of the Paying Agents (as defined below). Copies of this document comprise listing particulars (the "Listing Particulars") approved by the UK Listing Authority pursuant to the Financial Services and Markets Act 2000, as amended in relation to the Listed Notes, have been delivered for registration to the Registrar of Companies in England and Wales as required by section 83 of that Act. The Listing Particulars supersede any previous listing particulars and any supplements thereto. The Issuer may also issue Notes listed on any alternative or additional stock exchange and may also issue unlisted Notes.

Arranger

LEHMAN BROTHERS

Dealers

BARCLAYS CAPITAL
CREDIT SUISSE FIRST BOSTON
JPMORGAN
MERRILL LYNCH INTERNATIONAL
NOMURA INTERNATIONAL

UBS INVESTMENT BANK

CITIGROUP
DAIWA SECURITIES SMBC EUROPE
LEHMAN BROTHERS
MIZUHO INTERNATIONAL PLC
MITSUBISHI SECURITIES INTERNATIONAL PLC



30th September, 2004

The Issuer accepts responsibility for the information contained in these Listing Particulars. To the best of the Issuer's knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in the Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

Any reference in this Information Memorandum to Listing Particulars means this Information Memorandum excluding all information incorporated by reference. The Issuer has confirmed that any information incorporated by reference, including any such information to which readers of this Information Memorandum are expressly referred, has not been and does not need to be included in the Listing Particulars to satisfy the requirements of the Financial Services and Markets Act 2000, as amended or the listing rules of the UK Listing Authority. The Issuer believes that none of the information incorporated therein by reference conflicts in any material respect with the information included in the Listing Particulars.

This Information Memorandum is to be read in conjunction with all the documents which are deemed to be incorporated herein by reference (see "Documents Incorporated By Reference" on page iv) (provided, however, that such incorporated documents do not form part of the Listing Particulars). This Information Memorandum shall be read and construed on the basis that such documents are so incorporated and form part of this Information Memorandum but not part of the Listing Particulars.

The Dealers have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Dealers as to the accuracy or completeness of the financial information contained in this Information Memorandum, or any other financial statements or any further information supplied in connection with the Programme or the Notes. The Dealers accept no liability in relation to the financial or other information contained in this Information Memorandum or any other financial statements or any further information supplied in connection with the Programme or the Notes or their distribution. The statements made in this paragraph are without prejudice to the responsibility of the Issuer under the Programme.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Information Memorandum or any other financial statements or further information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by either the Issuer or any of the Dealers.

This Information Memorandum, any other financial statements and any further information supplied in connection with the Programme or the Notes are not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by either the Issuer or any of the Dealers that any recipient of this Information Memorandum or any other financial statements or any further information supplied in connection with the Programme or the Notes should purchase any of the Notes. Each investor contemplating purchasing Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. None of this Information Memorandum, any other financial statements and any further information supplied in connection with the Programme or the Notes constitutes an offer or invitation by or on behalf of the Issuer or the Dealers or any of them to any person to subscribe for or to purchase any of the Notes.

Neither the delivery of this Information Memorandum nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other financial statements or any further information supplied in connection with the Programme or the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer or any of its subsidiaries during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Information Memorandum when deciding whether or not to purchase any of the Notes.

The Issuer and the Dealers do not represent that this document may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Dealers (save for the approval of the Listing Particulars by the UK Listing Authority and delivery of copies of the Listing Particulars to the Registrar of Companies in England and Wales) which would permit a public offering of the Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Information Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and the Dealers have represented that all offers and sales by them will be made on the same terms.

The distribution of this Information Memorandum and the offer or sale of Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Information Memorandum or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Information Memorandum and the offer or sale of the Notes in the United States, the United Kingdom, The Republic of Korea ("Korea") and Japan (see "Subscription and Sale" on page 48).

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "Securities Act") and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons (see "Subscription and Sale" on page 48).

In this Information Memorandum, references to "KRW", "Won" or "₩" are to the currency of The Republic of Korea, references to "\$", "U.S.\$" and "U.S. dollars" are to United States dollars, references to "£" and "sterling" are to pounds sterling, references to "Yen" and "¥" are to Japanese Yen and references to "euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

The Issuer maintains its accounts in Won. For convenience, Won amounts in this Information Memorandum as at 31st December, 2003 have been translated into U.S. dollars at the rate of 1,197.80 = U.S.\$1.00 and Won amounts in this Information Memorandum as at 30th June, 2004 have been translated into U.S. dollars at the rate of ₩1,152.50 = U.S.\$1.00. However, such translations should not be construed as representations that the Won amounts have been, could have been or could in the future be converted into U.S. dollars at these or any other rates.

In connection with the issue and distribution of any Tranche of Notes, the Dealer (if any) disclosed as the stabilising manager in the applicable Pricing Supplement or any person acting for him may over-allot or effect transactions with a view to supporting the market price of the Notes of the Series (as defined below) of which such Tranche forms part at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the stabilising manager or any agent of his to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Information Memorandum (provided, however, that such incorporated documents do not form a part of the Listing Particulars):

- (1) the most recently published financial statements of the Issuer from time to time; and
- (2) all supplements to this Information Memorandum circulated by the Issuer from time to time in accordance with the undertaking described below given by it in the Programme Agreement (as defined in "Subscription and Sale" on page 48);

save that any statement contained herein or in a document all or the relative portion of which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum (but not the Listing Particulars) to the extent that a statement contained in any such subsequent document all or the relative portion of which is or is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum.

The Issuer will provide, without charge, to each person to whom a copy of this Information Memorandum has been delivered, upon the written request of any such person, a copy of any or all of the documents which, or portions of which, are incorporated herein by reference. Written requests for such documents should be directed to the Issuer at its registered office set out at the end of this Information Memorandum. In addition, such documents will be available from the principal office in England of Lehman Brothers International (Europe) in its capacity as authorised adviser (the "Authorised Adviser") for the Listed Notes.

SUPPLEMENTARY LISTING PARTICULARS

The Issuer has given an undertaking to the Dealers in connection with the listing of the Notes on the Official List to the effect that if after the preparation of the Listing Particulars for submission to the UK Listing Authority and at any time during the duration of the Programme:

- (a) there is a significant change affecting any matter contained in the Listing Particulars whose inclusion was required by section 80 of the Financial Services and Markets Act 2000, as amended, or by the listing rules made by the UK Listing Authority (or such other body to which its functions have been transferred under section 74 of that Act, the "Listing Rules"); or
- (b) a significant new matter arises the inclusion of information in respect of which would have been so required if it had arisen when the Listing Particulars were prepared,

the Issuer shall give to the Authorised Adviser full information about such change or matter and shall publish supplementary listing particulars as may be required by the UK Listing Authority and approved by the Authorised Adviser, and shall otherwise comply with sections 81 and 83 of the Financial Services and Markets Act 2000, as amended, and the Listing Rules in that regard and shall supply to each Dealer such number of copies of the supplementary listing particulars as such Dealer may reasonably request.

DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer may from time to time issue Notes denominated in any currency, subject as set out herein. A summary of the terms and conditions of the Programme and the Notes appears below. The applicable terms of any Notes will be agreed between the Issuer and the relevant Purchaser(s) prior to the issue of the Notes and will be set out in the Terms and Conditions of the Notes endorsed on, attached to, or incorporated by reference into, the Notes, as modified and supplemented by the applicable Pricing Supplement attached to, or endorsed on, such Notes, as more fully described under "*Form of the Notes*" below.

This Information Memorandum and any supplement will only be valid for listing Notes on the Official List during the period of 12 months from the date of this Information Memorandum in an aggregate nominal amount which, when added to the aggregate nominal amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed U.S.\$5,000,000,000 or its equivalent in other currencies. For the purpose of calculating the U.S. dollar equivalent of the aggregate nominal amount of Notes issued under the Programme from time to time:

- (a) the U.S. dollar equivalent of Notes denominated in another Specified Currency (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under "*Form of the Notes*") shall be determined, at the discretion of the Issuer, either as of the date on which agreement is reached for the issue of Notes or on the preceding day on which commercial banks and foreign exchange markets are open for business in London, in each case on the basis of the spot rate for the sale of the U.S. dollar against the purchase of such Specified Currency in the London foreign exchange market quoted by any leading international bank selected by the Issuer on the relevant day of calculation;
- (b) the U.S. dollar equivalent of Dual Currency Notes, Index Linked Notes and Partly Paid Notes (each as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under "*Form of the Notes*") shall be calculated in the manner specified above by reference to the original nominal amount on issue of such Notes (in the case of Partly Paid Notes regardless of the subscription price paid); and
- (c) the U.S. dollar equivalent of Zero Coupon Notes (as specified in the applicable Pricing Supplement in relation to the relevant Notes, described under "*Form of the Notes*") and other Notes issued at a discount or a premium shall be calculated in the manner specified above by reference to the net proceeds received by the Issuer for the relevant issue.

SUMMARY OF TERMS AND CONDITIONS OF THE NOTES AND THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Information Memorandum and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined or used in "Form of the Notes" and "Terms and Conditions of the Notes" shall have the same meaning in this summary:

Issuer:	The Korea Development Bank.
Arranger:	Lehman Brothers International (Europe)
Dealers:	Barclays Bank PLC Citigroup Global Markets Limited Credit Suisse First Boston (Europe) Limited Daiwa Securities SMBC Europe Limited J.P. Morgan Securities Ltd. Lehman Brothers International (Europe) Merrill Lynch International Mizuho International plc Nomura International plc Mitsubishi Securities International plc UBS Limited
Issuing and Principal Paying Agent and Agent Bank:	Deutsche Bank AG acting through its London Branch
Amount:	Up to U.S.\$5,000,000,000 (or its equivalent in other currencies as described under "Description of the Programme") outstanding at any one time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Description:	Continuously offered Euro Medium Term Note Programme.
Method of Distribution:	Subject to applicable selling restrictions, Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, any currency as may be agreed between the Issuer and the relevant Purchaser(s).
Maturities:	Such maturities (in excess of one month) as may be agreed between the Issuer and the relevant Purchaser(s), subject to such minimum or maximum maturities as may be allowed or required from time to time, by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued at par or at a discount to, or premium over, par and either on a fully paid or partly paid basis.
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption, and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Purchaser(s).

Floating Rate Notes: . . .	<p>Floating Rate Notes will bear interest at a rate determined either:</p> <ul style="list-style-type: none"> (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2000 ISDA definitions (published by the International Swaps and Derivatives Association, Inc, and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (ii) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or (iii) on such other basis as may be agreed between the Issuer and the relevant Purchaser(s) (as indicated in the applicable Pricing Supplement). <p>The Margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Purchaser(s) for each Series of Floating Rate Notes.</p>
Index Linked Notes: . . .	<p>Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Purchaser(s) may agree (as indicated in the applicable Pricing Supplement).</p>
<p>Other Provisions in Relation to Floating Rate Notes and Index Linked Interest Notes:</p>	<p>Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both.</p> <p>Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Purchaser(s), will be payable on Interest Payment Dates and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Purchaser(s).</p>
<p>Change of Interest Basis:</p>	<p>Notes may be converted from one Interest Basis to another in the manner set out in the applicable Pricing Supplement.</p>
Dual Currency Notes: . .	<p>Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based upon such rates of exchange, as the Issuer and the relevant Purchaser(s) may agree (as indicated in the applicable Pricing Supplement).</p>
Zero Coupon Notes: . . .	<p>Zero Coupon Notes may be offered and sold at a discount to their nominal amount and will not bear interest.</p>

Redemption: The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments (see below), if applicable, or for taxation reasons or following an Event of Default), or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving not less than 30 nor more than 60 days' irrevocable notice (or such other notice period (if any) as is indicated in the applicable Pricing Supplement) to the relevant Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Purchaser(s).

The applicable Pricing Supplement may provide that the Notes may be redeemable in two or more instalments in such amounts and on such dates and on such other terms as are indicated in such Pricing Supplement.

Denominations of

Notes: Other than as may be specified in the applicable Pricing Supplement, Notes will have a denomination of at least EUR1,000 (or its equivalent in any other currency), save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.

Redenomination: If the Specified Currency of an issue of Notes is a currency of one of the countries that may subsequently participate in the third stage of European economic and monetary union or otherwise may participate in European economic and monetary union in a manner with similar effect to such third stage, the Issuer may specify in the applicable Pricing Supplement that such Notes will include a Redenomination Clause providing for the redenomination of the Specified Currency in euro and, if so specified, the wording of such Redenomination Clause will be set out in full in the applicable Pricing Supplement.

Taxation: All payments by the Issuer in respect of the Notes will be made without withholding or deduction for or on account of Korean withholding taxes subject as provided in Condition 6. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 6, be required to pay additional amounts to cover amounts so deducted.

Status: The Notes will be direct, unconditional, unsecured and unsubordinated general obligations of the Issuer and will rank *pari passu* among themselves, without any preference one over the other by reason of priority of date of issue or currency of payment or otherwise, and at least equally with all other outstanding unsecured and unsubordinated obligations of the Issuer subject, in the event of insolvency, to laws of general applicability relating to or affecting creditors' rights.

Negative Pledge: There will be a negative pledge pursuant to which the Issuer will undertake not to create or permit to subsist any mortgage, charge, encumbrance, pledge or other security interest upon the whole or any part of its assets to secure any indebtedness, or to secure any guarantee of indebtedness, unless the Notes shall be secured equally and rateably therewith, subject to certain exceptions as set out in Condition 2(b).

Cross Default: There will be a cross default in respect of External Indebtedness of the Issuer in an aggregate principal amount of U.S.\$10,000,000 or more. "External Indebtedness" means any obligation for the payment or repayment of money borrowed which is denominated in a currency other than Won — see Condition 7.

Listing: Application has been made to admit Notes issued under the Programme to the Official List and to admit them to trading on the London Stock Exchange. Notes may also be listed on any alternative or additional stock exchange(s). Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and, if so, on which stock exchange(s).

Governing Law: English.

Selling Restrictions: . . . There are restrictions on the sale of Notes and the distribution of offering material — see "Subscription and Sale" on page 48.

FORM OF THE NOTES

Each Tranche of Notes will initially be represented by a temporary global Note without Coupons, Receipts or Talons (each as defined in the "Terms and Conditions of the Notes" on page 16) which will be delivered prior to the original issue date of the Tranche to a common depository for Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg").

Whilst any Note is represented by a temporary global Note, payment of principal and interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made against presentation of the temporary global Note only to the extent that certification of beneficial ownership as required by U.S. Treasury regulations (in the form set out in the temporary global Note) has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream Luxembourg, as applicable, has given a like certification (based on the certification it has received) to the Agent. Any reference in this section "Form of the Notes" to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to be a reference to any additional or alternative clearing system approved by the Issuer and the Agent.

On and after the date (the "Exchange Date") which is 40 days after the date on which the temporary global Note is issued, interests in the temporary global Note will be exchangeable (provided that if it is a Partly Paid Note all instalments of the subscription monies due before the date of such exchange have been paid) upon request as described therein (a) unless otherwise specified in the applicable Pricing Supplement or the temporary global Note, for interests in a permanent global Note without Coupons, Receipts or Talons or (b) if specified in the applicable Pricing Supplement or the temporary global Note and subject to such notice period as is specified in the Pricing Supplement or the temporary global Note, for definitive Notes, in each case against certification of beneficial ownership as required by U.S. Treasury regulations in accordance with the terms of the temporary global Note unless certification has already been given pursuant to the first sentence of the preceding paragraph. On and after the Exchange Date the holder of a temporary global Note will not be entitled to receive any payment of interest or principal thereon or other amount due on or after the Exchange Date unless, upon due certification, exchange of the temporary global Note for an interest in a permanent global Note or definitive global Note is improperly withheld or refused. Pursuant to the Agency Agreement the Agent shall arrange that, where a further Tranche of Notes is issued, the Notes of such Tranche shall be assigned a Common Code and an ISIN which are different from the Common Code and ISIN assigned to Notes of any other Tranche of the same Series until at least 40 days after the completion of the distribution of the Notes of such Tranche as certified by the Agent to the relevant Purchaser(s).

Payments of principal and interest (if any) or any other amounts on a permanent global Note will be made through Euroclear and/or Clearstream, Luxembourg against presentation or surrender (as the case may be) of the permanent global Note without any requirement for certification.

The applicable Pricing Supplement will specify that a permanent global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, Receipts, Coupons and Talons attached upon either (i) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such permanent global Note) to the Agent as described therein or (ii) only upon the occurrence of an Exchange Event. For these purposes, "Exchange Event" means that (i) an Event of Default (as defined in Condition 7) has occurred and is continuing, (ii) the Issuer has been notified that either Euroclear or Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the permanent global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 11 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such permanent global Note) may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as

described in (iii) above, the Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all Notes which have an original maturity of more than 365 days and on all Coupons, Receipts and Talons:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) and 1287(a) OF THE INTERNAL REVENUE CODE."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, Receipts or Coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition or payment, redemption of principal in respect of Notes, Receipts or Coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Agency Agreement (as defined under "Terms and Conditions of the Notes"), the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S under the U.S. Securities Act of 1933, as amended) applicable to the Notes of such Tranche.

Notes may be accelerated by the holder thereof in certain circumstances described in "Terms and Conditions of the Notes — Events of Default". In such circumstances, where such Notes are still represented by a global Note and a holder with Euroclear or Clearstream, Luxembourg of such Notes so represented and credited to his securities account gives notice that it wishes to accelerate such Notes, unless within a period of 15 days from the giving of such notice payment has been made in full of the amount due in accordance with the terms of the global Note, the global Note will become void. At the same time, holders of interests in such Note with Euroclear or Clearstream, Luxembourg credited to their accounts will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and Clearstream, Luxembourg, under the terms of an amended and restated deed of covenant (as amended and/or supplemented and/or restated from time to time, the "Deed of Covenant") dated 5th October, 2001 and executed by the Issuer.

Any reference herein to Euroclear and/or Clearstream Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

Form of Pricing Supplement

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.

[Date]

THE KOREA DEVELOPMENT BANK

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
under the U.S.\$5,000,000,000 Euro Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Information Memorandum dated 30th September, 2004 (the "Information Memorandum"). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Information Memorandum.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Information Memorandum with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") set forth in the Information Memorandum dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Information Memorandum dated [current date], save in respect of the Conditions which are extracted from the Information Memorandum dated [original date] and are attached hereto.]

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]

[Unless the Issuer otherwise determines, Notes will have a minimum denomination of at least EUR1,000 (or its equivalent in any other currency), and further consideration should be given to whether Notes should have a minimum denomination of EUR50,000 (or its equivalent in any other currency) in order to avoid certain potential requirements of the Transparency Directive, when implemented in EU Member States.]

1. Issuer: The Korea Development Bank
2. [(i)] Series Number: []
[(ii)] Tranche Number: []
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)]
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount:
(i) [Series: []]
(ii) [Tranche: []]
5. (i) [Issue Price of Tranche: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]]

(ii) [Net Proceeds (Required only for listed issues): []]
6. Specified Denominations: []
[]

7. (i) Issue Date: []
(ii) Interest Commencement Date: []
8. Maturity Date: [*Fixed rate — specify date/Floating rate — Interest Payment Date falling in or nearest to [specify month]*]
9. Interest Basis: [[] per cent. Fixed Rate]
[[LIBOR/EURIBOR] +/- [] per cent. Floating Rate]
[Zero Coupon]
[Index Linked Interest]
[Dual Currency Interest]
[specify other]
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[Dual Currency Redemption]
[Partly Paid]
[Instalment]
[specify other]
11. Change of Interest Basis or Redemption/
Payment Basis: [*Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*]
12. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
13. Listing: [London/specify other/None]
14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Note Provisions. [Applicable/Not Applicable]
(*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (i) Rate(s) of Interest: [] per cent. per annum [payable [annually/semi-annually/quarterly] in arrear]
(*If payable other than annually, consider amending Condition 3*)
- (ii) Interest Payment Date(s): [[] in each year up to and including the Maturity Date]/[specify other]
(*NB: This will need to be amended in the case of long or short coupons*)
- (iii) Fixed Coupon Amount(s): [] per [] in nominal amount
- (iv) Broken Amount(s): [*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount*]

- (v) Day Count Fraction: [Actual/Actual(ISMA) or 30/360 or
[specify other]]
- (vi) Determination Date(s):. [] in each year
[Insert regular interest payment dates,
ignoring issue date or maturity date in the
case of a long or short first or last coupon]
(NB: This will need to be amended in the
case of regular interest payment dates which
are not of equal duration)
(NB: Only relevant where Day Count
Fraction is Actual/Actual (ISMA))
- (vii) Other terms relating to the method of
calculating interest for Fixed Rate
Notes: [None/Give details]
16. Floating Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining
subparagraphs of this paragraph)
- (i) Specified Period(s)/Specified Interest
Payment Dates: []
- (ii) Business Day Convention: [Floating Rate Convention/Following
Business Day Convention/Modified
Following Business Day Convention/
Preceding Business Day Convention/
[specify other]]
- (iii) Additional Business Centre(s):. []
- (iv) Manner in which the Rate of Interest and
Interest Amount is to be determined:. . [Screen Rate Determination/ISDA
Determination/specify other]
- (v) Party responsible for calculating the Rate
of Interest and Interest Amount (if not
the Agent):. []
- (vi) Screen Rate Determination:
- Reference Rate: []
(Either LIBOR, EURIBOR or other, although
additional information is required if other —
including fallback provisions in the Agency
Agreement)
- Interest Determination Date(s):. . . []
(Second London business day prior to the
start of each Interest Period if LIBOR (other
than Sterling or euro LIBOR), first day of
each Interest Period if Sterling LIBOR and
the second day on which the TARGET System
is open prior to the start of each Interest
Period if EURIBOR or euro LIBOR)

- Relevant Screen Page: []
*(In the case of EURIBOR, if not Telerate
Page 248 ensure it is a page which shows a
composite rate or amend the fallback
provisions appropriately)*
- (vii) ISDA Determination:
— Floating Rate Option: []
— Designated Maturity: []
— Reset Date: []
- (viii) Margin(s): [+/-] [] per cent. per annum
- (ix) Minimum Rate of Interest: [] per cent. per annum
- (x) Maximum Rate of Interest: [] per cent. per annum
- (xi) Day Count Fraction: [Actual/365
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
30/360
30E/360
Other]
(See Condition 3 for alternatives)
- (xii) Fall back provisions, rounding provisions
and any other terms relating to the
method of calculating interest on
Floating Rate Notes, if different from
those set out in the Conditions: []
17. Zero Coupon Note Provisions [Applicable/Not Applicable]
*(If not applicable, delete the remaining
subparagraphs of this paragraph)*
- (i) Accrual Yield: [] per cent. per annum
- (ii) Reference Price: []
- (iii) Any other formula/basis of determining
amount payable: []
- (iv) Day Count Fraction in relation to Early
Redemption Amounts and late
payment: [Condition 4(f)(iii) applies/specify other]
*(Consider applicable Day Count Fraction if
not U.S. dollar denominated)*
18. Index Linked Interest Note Provisions [Applicable/Not Applicable]
*(If not applicable, delete the remaining
subparagraphs of this paragraph)*
- (i) Index/Formula: [give or annexe details]
- (ii) Calculation Agent responsible for
calculating the principal and/or interest
due: []

- (iii) Provisions for determining coupon where calculation by reference to Index and/or Formula is impossible or impracticable: []
- (iv) Specified Period(s)/Specified Interest Payment Dates: []
- (v) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
- (vi) Additional Business Centre(s): []
- (vii) Minimum Rate of Interest: [] per cent. per annum
- (viii) Maximum Rate of Interest: [] per cent. per annum
- (ix) Day Count Fraction: []
- 19. Dual Currency Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest payable: []
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: []
- (iv) Person at whose option Specified Currency(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

- 20. Issuer Call: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [] per Note of [] Specified Denomination
- (iii) If redeemable in part:
 - (a) Minimum Redemption Amount: . . []
 - (b) Maximum Redemption Amount: . . []

- (iv) Notice period (if other than as set out in the Conditions): []
(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)
21. Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount of each Note and method, if any, of calculation of such amount(s): [] per Note of [] Specified Denomination
- (iii) Notice period (if other than as set out in the Conditions): []
(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)
22. Final Redemption Amount of each Note: . . . [per Note of [] Specified Denomination/specify other/see Appendix]
23. Early Redemption Amount of each Note payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in Condition 4(f)): []

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes: Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]
- [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]
(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Information Memorandum and the Notes themselves)

25. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details]
(Note that this item relates to the place of payment and not Interest Period end dates to which items 16(iii) and 18(vi) relate)
26. Talons for future Coupons or Receipts to be attached to definitive Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details. NB: a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues]
28. Details relating to Instalment Notes:
- (i) Instalment Amount(s): [Not Applicable/give details]
- (ii) Instalment Date(s): [Not Applicable/give details]
29. Redenomination applicable: Redenomination [not] application
(if Redenomination is applicable, specify the terms of the redenomination in an Annexe to the Pricing Supplement)
30. Other terms or special conditions: [Not Applicable/give details]

DISTRIBUTION

31. (i) If syndicated, names of Managers: . . . [Not Applicable/give names]
(ii) Stabilising Manager (if any): [Not Applicable/give name]
32. If non-syndicated, name of relevant Dealer: . []
33. Additional selling restrictions: [Not Applicable/give details]
34. Whether TEFRA D applicable or if TEFRA rules not applicable: [TEFRA D/TEFRA not applicable]

OPERATIONAL INFORMATION

35. Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
36. Delivery: Delivery [against/free of] payment
37. Additional Paying Agent(s) (if any): []
- ISIN: []
- Common Code: []

[LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Notes described herein pursuant to the U.S.\$5,000,000,000 Euro Medium Term Note Programme of The Korea Development Bank.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: _____

Duly authorised

Notes may also be issued in such other form and on such other terms as the Issuer may from time to time agree with the relevant Purchaser(s). If the relevant Pricing Supplement relating to a Tranche of Notes specifies any modifications to the Terms and Conditions of the Notes as described below, it is envisaged that, to the extent that such modifications relate only to Conditions 1, 3, 4 (except Condition 4(b)), 5, 9, 11 (insofar as such Notes are not listed or admitted to trade on any stock exchange), 12 or 13, they will not necessitate the preparation of supplementary listing particulars. If the Terms and Conditions of the Notes are to be modified in any other respect, it is envisaged that supplementary listing particulars or, if appropriate, further listing particulars describing the modifications will be prepared.

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes to be issued by the Issuer which will be incorporated by reference into each global Note and each definitive Note, in the latter case only if permitted by the relevant stock exchange (if any) and agreed by the Issuer and the relevant Purchaser(s) at the time of issue but if not so permitted and agreed, such definitive Note will have endorsed upon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each temporary global Note, permanent global Note and definitive Note. Reference should be made to "Form of the Notes" above for the form of Pricing Supplements which will specify which terms are to apply in relation to the relevant Notes.

This Note is one of a Series of Euro Medium Term Notes (the "Notes" which expression shall mean (i) in relation to any Notes represented by a global Note, units of the lowest Specified Denomination in the Specified Currency of the relevant Notes, (ii) definitive Notes issued in exchange for a global Note and (iii) any global Note issued by The Korea Development Bank (the "Issuer") pursuant to an amended and restated Agency Agreement (as amended and/or supplemented and/or restated from time to time, the "Agency Agreement") dated 2nd October, 2003 and made between the Issuer, Deutsche Bank AG acting through its London Branch as issuing agent, principal paying agent and agent bank (the "Agent" which expression shall include any successor as agent) and the other paying agents named therein (together with the Agent, the "Paying Agents" which expression shall include any additional or successor paying agents). All of the Notes from time to time issued by the Issuer which are for the time being outstanding are hereinafter referred to as the "Notes" and the term "Note" is to be construed accordingly. As used herein, "Series" means each original issue of Notes together with any further issues expressed to form a single issue with the original issue and the terms of which are (save for the Issue Date, the Interest Commencement Date and/or the Issue Price) otherwise identical (including whether or not the Notes are listed) and which are consolidated and form a single series and shall be deemed to include the temporary and permanent global Notes and the definitive Notes of such Series and the expressions "Notes of the relevant Series" and "holders of Notes of the relevant Series" and related expressions shall be construed accordingly. As used herein, "Tranche" means all Notes of the same Series with the same Issue Date and Interest Commencement Date.

The Pricing Supplement in relation to this Note is attached hereto or endorsed hereon and supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References herein to the "applicable Pricing Supplement" are to the Pricing Supplement attached hereto or endorsed hereon.

The holders for the time being of the Notes ("Noteholders"), which expression shall, in relation to any Notes represented by a global Note, be construed as provided in Condition 1, the holders of the Coupons (as defined below) appertaining to interest-bearing definitive Notes (the "Couponholders"), the holders of the Talons (as defined below) and the holders of the Receipts (as defined below) (the "Receiptholders") are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, which are binding on them.

Words and expressions defined in the Agency Agreement or defined or set out in the applicable Pricing Supplement shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

Copies of the Agency Agreement and the Pricing Supplement for the Notes of this Series are available from the specified office of each of the Paying Agents save that, in the case of any Pricing Supplement where the Note or Notes to which such Pricing Supplement relates are not listed on a stock exchange, such Pricing Supplement shall be available for inspection only, upon proof

satisfactory to the relevant Paying Agent as to identity, by the holder of any Note to which such Pricing Supplement relates. The statements in these Terms and Conditions are summaries of, and are subject to, the detailed provisions of the Agency Agreement.

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of an amended and restated deed of covenant (as amended and/or supplemented and/or restated from time to time, the "Deed of Covenant") dated 5th October, 2001 and made by the Issuer. The original of the Deed of Covenant is held by a common depositary on behalf of Euroclear (as defined below) and Clearstream, Luxembourg (as defined below). Copies of the Deed of Covenant may be obtained upon request during normal business hours from the specified offices of each of the Agent and the other Paying Agents.

1. Form, Denomination and Title

The Notes are in bearer form in the Specified Currency and Specified Denomination(s) and definitive Notes of this Series will be serially numbered. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, a Dual Currency Interest Note, or an Index Linked Interest Note or a combination of any of the foregoing, depending upon the Interest Basis specified in the applicable Pricing Supplement.

This Note may be an Index Linked Redemption Note, a Dual Currency Redemption Note, a Partly Paid Note, an Instalment Note or a combination of any of the foregoing, depending on the Redemption/Payment Basis shown in the applicable Pricing Supplement.

Definitive Notes are issued with interest coupons for the payment of interest ("Coupons") attached, and if applicable, talons for further Coupons ("Talons") attached, unless it is a Zero Coupon Note in which case references to Coupons and Couponholders in these Terms and Conditions are not applicable. If it is a definitive Note redeemable in instalments it is issued with receipts ("Receipts") attached for the payment of instalments of principal prior to such Note's stated maturity.

Subject as set out below, title to the Notes, the Coupons and Receipts will pass by delivery. The Issuer and any Paying Agents will (except as otherwise required by law) deem and treat the bearer of any Note, Coupon or Receipt as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any global Note, without prejudice to the provisions set out below.

For so long as any of the Notes is represented by a global Note held on behalf of Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and/or Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg"), each person who is for the time being shown in the records of Euroclear and/or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated, as between the Issuer and the holder of the global Note, as a holder of such nominal amount of such Notes for all purposes other than for payment of principal (including premium (if any)) and interest on such Notes, the right to which shall be vested, as against the Issuer and any of the Paying Agents, solely in the bearer of the global Note in accordance with and subject to its terms (and the expressions "Noteholder", "holder of Notes" and related expressions shall be construed accordingly). Notes which are represented by a global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear and/or Clearstream, Luxembourg, as the case may be.

Notes which are represented by a global Note will be transferable only in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg, as the case may be. Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearance system approved by the Issuer and the Agent.

2. Status and Negative Pledge

(a) Status

The Notes and the relative Coupons and Receipts are the direct, unconditional, unsubordinated and (subject to the provisions of Condition 2(b)) unsecured general obligations of the Issuer and will rank *pari passu* among themselves, without any preference one over the other by reason of priority of date of issue or currency of payment or otherwise, and at least equally with all other outstanding unsecured and unsubordinated obligations of the Issuer subject, in the event of insolvency, to laws of general applicability relating to or affecting creditors' rights.

(b) Negative Pledge

So long as any of the Notes of this Series remains outstanding (as defined in the Agency Agreement), the Issuer will not create or permit to subsist any Encumbrance (as defined below) upon the whole or any part of its assets, present or future, to secure any indebtedness, or to secure any guarantee of indebtedness, unless the Notes, Receipts and Coupons of this Series shall be secured equally and rateably therewith, except that the Issuer may create or permit to arise or subsist:

- (i) any Encumbrance over promissory notes or other commercial paper discounted or otherwise provided as security to or issued by the Issuer where such Encumbrance is created in favour of The Bank of Korea in the normal operation of its discount facilities or its facilities for the funding of loans by the Issuer to customers of the Issuer; or
- (ii) any Encumbrance over any immovable property owned by the Issuer as security for the repayment by the Issuer to a tenant of that property of any security deposit paid by such tenant to the Issuer upon taking a tenancy or lease of that property; or
- (iii) any statutory liens arising in the ordinary course of the Issuer's business and not in connection with the borrowing or raising of money; or
- (iv) any Encumbrance arising or preference given under Korean law, applicable generally to corporations established under Korean law, by virtue of a failure by the Issuer to meet an obligation, provided that such Encumbrance does not subsist for more than 30 days; or
- (v) any Encumbrance over any asset purchased by the Issuer (or documents of title thereto) or arising in connection with improvements to any asset of the Issuer as security for the unpaid balance of the purchase price thereof or costs of improvement thereto.

In these Terms and Conditions:

"Encumbrance" means any mortgage, charge, encumbrance, pledge or other security interest.

3. Interest

(a) *Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from and including the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

Except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in these Terms and Conditions, "Fixed Interest Period" means the period from (and including) an Interest Payment Date (or Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If interest is required to be calculated for a period ending other than a Fixed Interest Period, such interest shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

"Day Count Fraction" means, in respect of the calculation of an amount of interest in accordance with this Condition 3(a):

- (i) if "Actual/Actual (ISMA)" is specified in the applicable Pricing Supplement:
 - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "Accrual Period") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or
 - (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; and
 - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if "30/360" is specified in the applicable Pricing Supplement, the number of days in the period from and including the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to but excluding the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360.

In these Terms and Conditions:

"Determination Period" means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after such date); and

"sub-unit" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) Interest on Floating Rate Notes and Index Linked Interest Notes

(i) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date an *"Interest Payment Date"*) which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 3(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or

- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Terms and Conditions, "*Business Day*" means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Pricing Supplement; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System (the "*TARGET System*") is open.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Pricing Supplement.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph (A), "*ISDA Rate*" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2000 ISDA definitions as published by the International Swaps and Derivatives Association, Inc. (the "*ISDA definitions*") and under which;

- (1) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (2) the Designated Maturity is a period specified in the applicable Pricing Supplement; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate ("*LIBOR*") or on the Euro-zone inter-bank offered rate ("*EURIBOR*") for a currency, the first day of that Interest Period or (ii) in any other case, as specified in the applicable Pricing Supplement.

For the purposes of this sub-paragraph (A), "*Floating Rate*", "*Calculation Agent*", "*Floating Rate Option*", "*Designated Maturity*", "*Euro-zone*" and "*Reset Date*" have the meanings given to those terms in the ISDA definitions.

(B) Screen Rate Determination for Floating Rate Notes

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either;

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Pricing Supplement.

(iii) *Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) *Determination of Rate of Interest and calculation of Interest Amounts*

The Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Agent will calculate the amount of interest (the "*Interest Amount*") payable on the Floating Rate Notes or Index Linked Interest Notes in respect of each Specified Denomination for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Rate of Interest to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

“*Day Count Fraction*” means, in respect of the calculation of an amount of interest for any Interest Period:

- (i) If “Actual/365” or “Actual/Actual (ISDA)” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/365 (Sterling)” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “Actual/360” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- (v) if “30/360” “360/360” or “Bond Basis” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and
- (vi) if “30E/360” or “Eurobond Basis” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of an Interest Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

(v) *Notification of Rate of Interest and Interest Amounts*

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 11 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 11. For the purposes of this paragraph, the expression “*London Business Day*” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in London.

(vi) *Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 3, whether by the Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or the Calculation Agent (if applicable) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(c) *Interest on Dual Currency Interest Notes*

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Pricing Supplement.

(d) *Interest on Partly Paid Notes*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

(e) *Accrual of interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (1) the date on which all amounts due in respect of such Note have been paid; and
- (2) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 11.

4. Redemption and Purchase

(a) *Redemption at maturity*

Unless previously redeemed or purchased and cancelled as provided below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement in the Specified Currency on the Maturity Date.

(b) *Redemption for tax reasons*

All the Notes of this Series, but not some only, may be redeemed at the option of the Issuer, at any time (in the case of Notes other than Floating Rate Notes, Indexed Interest Notes or Dual Currency Interest Notes) or on any Interest Payment Date (in the case of Floating Rate Notes, Index Linked Interest Notes or Dual Currency Interest Notes), on giving not less than 30 nor more than 60 days' notice in accordance with Condition 11, to the holders of the Notes of this Series (which notice shall be irrevocable), at their Early Redemption Amount referred to in Condition 4(f), together (if appropriate) with interest (if any) accrued to the date fixed for redemption, if:

- (i) on the occasion of the next payment due under the Notes the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 6 as a result of any change in, or amendment to, the laws or regulations of Korea or any political subdivision or any authority thereof or therein having power to tax, or

any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of Notes of this Series; and

- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes of this Series then due.

Prior to the publication of any notice of redemption pursuant to this Condition 4(b), the Issuer shall deliver to the Agent a certificate signed by the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

(c) *Redemption at the option of the Issuer (Issuer Call)*

If Issuer Call is specified in the applicable Pricing Supplement, the Issuer may, having (unless otherwise specified in the applicable Pricing Supplement) given not more than 60 nor less than 30 days' notice, in accordance with Condition 11, to the holders of the Notes of this Series (which notice shall be irrevocable), redeem all or some only of the Notes of this Series then outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with accrued interest. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, both as indicated in the applicable Pricing Supplement. In the case of a partial redemption of definitive Notes, the Notes to be redeemed will be selected individually by lot (in such place as the Agent may approve and in such manner as the Agent shall deem to be appropriate and fair) not more than 60 days prior to the date fixed for redemption and a list of the Notes called for redemption will be published in accordance with Condition 11 not less than 30 days prior to such date. In the case of a partial redemption of Notes which are represented by a global Note, the relevant interests in the Notes will be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg.

(d) *Redemption at the option of the Noteholders (Investor Put)*

If Investor Put is specified in the applicable Pricing Supplement, upon the holder of this Note giving (unless otherwise specified in the Pricing Supplement) to the Issuer in accordance with Condition 11 not more than 60 nor less than 30 days' notice (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem subject to, and in accordance with, the terms specified in the applicable Pricing Supplement in whole (but not in part) this Note on the Optional Redemption Date and at the Optional Redemption Amount specified in, or determined in the manner specified in, the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

If the Notes are in definitive form, to exercise the right to require redemption of his Notes the holder of the Notes must deliver such Notes, in each case on any Business Day (as defined in Condition 5) falling within the notice period at the specified office of any Paying Agent, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "Put Notice") and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition.

(e) *Purchases*

The Issuer may at any time purchase or otherwise acquire Notes of this Series in the open market or otherwise. Notes purchased or otherwise acquired by the Issuer may be held or resold or, at the discretion of the Issuer, surrendered to the Agent for cancellation (together with (in

the case of definitive Notes of this Series) any unmatured Coupons or Receipts attached thereto or purchased therewith). If purchases are made by tender, tenders must be made available to all holders of Notes of this Series alike.

(f) *Early Redemption Amounts*

For the purposes of Condition 4(b) and Condition 7, Notes will be redeemed at an amount (the “Early Redemption Amount”) determined as follows:

- (i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
- (ii) in the case of Notes (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount set out in, or determined in the manner set out in, the applicable Pricing Supplement or, if no such amount or manner is set out in the Pricing Supplement, at their nominal amount; or
- (iii) in the case of a Zero Coupon Note, at an amount (the “Amortised Face Amount”) equal to the sum of:
 - (A) the Reference Price; and
 - (B) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, it shall be made (I) in the case of a Zero Coupon Note other than a Zero Coupon Note payable in euro, on the basis of a 360-day year consisting of 12 months of 30 days each or (II) in the case of Zero Coupon Note payable in euro, on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed falls in a leap year, the sum of (x) the number of those days falling in a leap year divided by 366 and (y) the number of those days falling in a non-leap year divided by 365) or (in either case) on such other calculation basis as may be specified in the applicable Pricing Supplement.

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 4(a), (b), (c) or (d) or upon its becoming due and repayable as provided in Condition 7 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in this Condition 4(f)(iii) as though the references herein to the date fixed for redemption or the date upon which the Zero Coupon Note becomes due and repayable were replaced by references to the date (the “Reference Date”) which is the earlier of:

- (1) the day on which all sums due in respect of the Zero Coupon Note up to that day are received by or on behalf of the holder of such Note; and
- (2) the day on which the Agent has notified the holder thereof (either in accordance with Condition 11 or individually) of receipt of all sums due in respect thereof up to that date.

The calculation of the Amortised Face Amount in accordance with this Condition 4(f)(iii) will continue to be made, after as well as before judgment, until the Reference Date unless the Reference Date falls on or after the Maturity Date, in which case the amount due and repayable shall be the nominal amount of such Note together with any interest which may accrue in accordance with Condition 3(c).

(g) Cancellation

All Notes redeemed, and all Notes purchased or otherwise acquired as aforesaid and surrendered to the Agent for cancellation, shall be cancelled (together, in the case of definitive Notes, with all unmatured Coupons and Receipts presented therewith), and thereafter may not be re-issued or re-sold.

(h) Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (f) above.

(i) Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise in accordance with the provisions of this Condition as amended by the applicable Pricing Supplement.

5. Payments

(a) Method of payment

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency (which, in the case of a payment in Japanese yen to a nonresident of Japan, shall be a non-resident account) maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney or Auckland, respectively); and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 6.

(b) Presentation of definitive Notes, Receipts and Coupons

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains.

Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 6) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Interest Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "Long Maturity Note" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding or Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

(c) *Payments in respect of Global Notes*

Payments of principal and interest (if any) in respect of Notes represented by any global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant global Note against presentation or surrender, as the case may be, of such global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any global Note, distinguishing between any payment of principal and any payment of interest, will be made on such global Note by the Paying Agent to which it was presented and such record shall be *prima facie* evidence that the payment in question has been made.

(d) *General provisions applicable to payments*

The holder of a global Note shall be the only person entitled to receive payments in respect of Notes represented by such global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(e) *Payment Day*

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "*Payment Day*" means any day which (subject to Condition 8) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (A) the relevant place of presentation;
 - (B) London;
 - (C) any Additional Financial Centre specified in the applicable Pricing Supplement; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney or Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET System is open.

(f) *Interpretation of principal and interest*

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 6;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;

- (v) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 4(f)(iii)); and
- (vii) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 6.

(g) *Exchange of Talons*

On and after the Interest Payment Date, as appropriate, on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any of the Paying Agents in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to, and including, the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relative Coupon sheet matures.

6. Taxation

All payments of principal and/or interest in respect of the Notes, Receipts and Coupons of this Series will be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of The Republic of Korea ("Korea") or by or within any political subdivision thereof or any authority therein having power to tax (a "Korean Tax"), unless deduction or withholding of such Korean Tax is compelled by law. In that event the Issuer will pay such additional amounts as will result (after such deduction or withholding) in the receipt by the holders of the Notes, Receipts or Coupons of this Series of the amounts which would otherwise have been receivable (in the absence of such deduction or withholding), except that no such additional amount shall be payable in respect of any Note, Receipt or Coupon of this Series presented for payment:

- (a) by or on behalf of a holder who is subject to such Korean Tax in respect of such Note, Receipt or Coupon by reason of his being connected with Korea (or any political subdivision thereof) otherwise than merely by holding such Note, Receipt or Coupon or receiving principal or interest in respect thereof; or
- (b) by or on behalf of a holder who would not be liable for or subject to such withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such a declaration or claim, such holder fails to do so; or
- (c) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional payment on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 5(e)); or
- (d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th to 27th November, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (e) by or on behalf of a holder who would be able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

The "Relevant Date" in relation to any Note, Receipt or Coupon means:

- (i) the due date for payment thereof; or
- (ii) (if the full amount of the monies payable on such date has not been received by the Agent on or prior to such due date) the date on which, the full amount of such monies having been so received, notice to that effect is duly given to the Noteholders of this Series in accordance with Condition 11 or individually.

7. Events of Default

If any one or more of the following events ("Events of Default") shall have occurred and be continuing:

- (a) default is made in any payment of principal or interest in respect of any of the Notes, Receipts or Coupons of this Series and such default continues for 14 days or more, in the case of principal, or 21 days or more, in the case of interest; or
- (b) default is made in the performance of any other covenant, condition or provision contained in the Notes of this Series and such default continues for 30 days or more after written notice thereof shall have been given to the Agent by the holder of any Note of this Series; or
- (c) any External Indebtedness (as defined below) of the Issuer in an aggregate principal amount of U.S.\$10,000,000 or more either (i) becomes due and payable prior to the due date for payment thereof by reason of default by the Issuer or (ii) is not repaid at maturity as extended by the period of grace, if any, applicable thereto, or any guarantee given by the Issuer in respect of External Indebtedness of any other person is not honoured when due and called; or
- (d) Korea declares a moratorium on the payment of any External Indebtedness (including obligations arising under guarantees) of Korea or Korea becomes liable to repay prematurely any sums in respect of such External Indebtedness (including obligations arising under guarantees) as a result of a default under, or breach of the terms applicable to, such External Indebtedness or such obligations, or Korea ceases to be a member of the International Monetary Fund or the International Bank for Reconstruction and Development or the international monetary reserves of Korea become subject to any Encumbrance (as defined in Condition 2(b)) or any segregation or other preferential arrangement (whether or not constituting an Encumbrance) for the benefit of any creditor or class of creditors; or
- (e) Korea ceases to own and control (directly or indirectly) the Issuer or for any reason fails to provide the financial support to the Issuer stipulated as of the Issue Date of the Notes of this Series by Article 44 of The Korea Development Bank Act of 1953, as amended; or
- (f) the Issuer is adjudicated or found bankrupt or insolvent or any order is made by a competent court or administrative agency or any resolution is passed by the Issuer to apply for judicial composition proceedings with its creditors or for the appointment of a receiver or trustee or other similar official in insolvency proceedings in relation to the Issuer or a substantial part of its assets or the Issuer is wound up or dissolved or the Issuer ceases to carry on the whole or substantially the whole of its business;

the holder for the time being of any Note of this Series may give notice to the Agent in accordance with Condition 11 that such Note is immediately due and repayable, whereupon such Note shall become immediately due and repayable at its Early Redemption Amount together with accrued interest (if any) to the date of repayment, unless prior to such time all Events of Default in respect of the Notes of this Series shall have been cured.

For the purposes of this Condition, "External Indebtedness" means any obligation for the payment or repayment of money borrowed which is denominated in a currency other than the currency of Korea.

8. Prescription

Claims for payment of principal in respect of the Notes shall be prescribed upon the expiry of ten years, and claims for payment of interest (if any) in respect of the Notes shall be prescribed upon the expiry of five years, in each case from the Relevant Date (as defined in Condition 6) thereof, subject to the provisions of Condition 5. There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5 above.

9. Replacement of Notes, Receipts and Coupons

If any Note (including any global Note), Receipt or Coupon is mutilated, defaced, stolen, destroyed or lost, it may be replaced at the specified office of the Agent upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts or Coupons must be surrendered before replacements will be issued.

10. Meetings of Noteholders and Modification

The Agency Agreement contains provisions for convening meetings of the holders of the Notes of this Series to consider matters affecting their interests, including modifications by Extraordinary Resolution of the Terms and Conditions of such Notes. The quorum for any meeting convened to consider a resolution proposed as an Extraordinary Resolution shall be one or more persons holding or representing a clear majority in nominal amount of such Notes for the time being outstanding, or at any adjourned such meeting one or more persons being or representing Noteholders whatever the nominal amount of such Notes for the time being outstanding so held or represented, except that at any meeting, the business of which includes, *inter alia*, (i) modification of the Maturity Date of such Notes or reduction or cancellation of the nominal amount payable upon maturity or otherwise, or variation of the method of calculating the amount of principal payable on maturity or otherwise, (ii) reduction of the amount payable or modification of the payment date in respect of any interest in respect of such Notes or variation of the method of calculating the rate of interest in respect of such Notes, (iii) reduction of any Minimum Interest Rate and/or Maximum Interest Rate, (iv) modification of the currency in which payments under such Notes and/or the Coupons appertaining thereto are to be made, (v) modification of the majority required to pass an Extraordinary Resolution or (vi) modification of the provisions of the Agency Agreement concerning this exception, the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than three-quarters, or at any adjourned such meeting not less than a clear majority, of the nominal amount of such Notes for the time being outstanding. Any Extraordinary Resolution duly passed at any such meeting will be binding on all such Noteholders (whether or not they are present at such meeting) and on all Receiptholders and Couponholders relating to such Notes.

The Agent may agree, without the consent of the holders of the Notes, Receipts or Coupons of this Series, to any modification to any of the provisions of the Agency Agreement or such Notes which is of a formal, minor or technical nature or is made to correct a manifest error. Any such modification shall be binding on all such Noteholders, Receiptholders and Couponholders and, if the Agent so requires, shall be notified to such Noteholders as soon as practicable thereafter in accordance with Condition 11.

11. Notices

(a) All notices regarding Notes of this Series will be valid if published in one leading London daily newspaper (which is expected to be the *Financial Times*). Any notice published as aforesaid shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first such publication. Receiptholders and Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the holders of the Notes of this Series in accordance with this Condition.

(b) Until such time as any definitive Notes are issued, there may, so long as all the global Notes for this Series are held in their entirety on behalf of Euroclear and Clearstream, Luxembourg, be substituted, in relation only to this Series, for such publication as aforesaid, the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Notes of this Series and, in addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes of this Series on the third day after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

(c) Notices or demands to be given or made by any holder of any Notes of this Series shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any Notes of this Series are represented by a global Note, such notice or demand may be given or made by a holder of any of the Notes so represented to the Agent via Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg may approve for this purpose.

12. Paying Agents

The names of the initial Agent and the other initial Paying Agents and their initial specified offices in respect of this Series of Notes are set out below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents and/or to approve any change in the specified office of any Paying Agent, provided that it will, so long as any of the Notes of this Series is outstanding, maintain (i) an Agent, (ii) if the European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th to 27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive is introduced, a Paying Agent (which may be the Agent) in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to any such Directive or law, and (iii) if and so long as any Notes of this Series are listed on any stock exchange or other relevant authority, a Paying Agent (which may be the Agent) having a specified office in such place as may be required by the rules and regulations of the relevant stock exchange (or other relevant authority). Any such variation, termination or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 days' prior notice thereof shall have been given to the Noteholders of this Series in accordance with Condition 11 and provided further that neither the resignation nor removal of the Agent shall take effect, except in the case of insolvency as aforesaid, until a new Agent has been appointed. In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5(d).

In acting under the Agency Agreement, the Paying Agents will act solely as agents of the Issuer and do not assume any obligations or relationships of agency or trust to or with the Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions for the indemnification of the Paying Agents and for relief from responsibility in certain circumstances, and entitles any of them to enter into business transactions with the Issuer without being liable to account to the Noteholders, Receiptholders or the Couponholders for any resulting profit.

13. Further Issues

The Issuer may from time to time without the consent of the relevant Noteholders, Couponholders or Receiptholders create and issue further Notes, having terms and conditions the same as the Notes of any Series, or the same except for the amount of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes of any Series.

14. Contracts (Rights of Third Parties) Act 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

15. Governing Law and Jurisdiction

The Notes, the Receipts, the Coupons, the Agency Agreement and the Deed of Covenant are governed by, and shall be construed in accordance with, the laws of England.

The Issuer irrevocably agrees for the benefit of the Noteholders, Receiptholders and Couponholders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Agency Agreement, the Notes, the Receipts or the Coupons and that accordingly any suit, action or proceedings arising out of or in connection therewith (together referred to as "Proceedings") may be brought in the courts of England.

The Issuer irrevocably waives, to the fullest extent permitted by law, any objection which it may have now or hereafter to the laying of the venue of any Proceedings in the courts of England and any claim that any Proceedings have been brought in an inconvenient forum and irrevocably agrees that a judgment in any Proceedings brought in the courts of England shall be conclusive and binding upon the Issuer and may be enforced in the courts of any other jurisdiction. Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

The Issuer hereby appoints The Korea Development Bank, London branch (which is located at 99 Bishopsgate, London EC2M 3XD, United Kingdom, Attention: General Manager) as its agent for service of process in England in respect of any Proceedings and undertakes that in the event of it ceasing so to act it will appoint another person as its agent for that purpose.

In respect of any Proceedings, the Issuer hereby irrevocably consents to the giving of any relief and the issue of any process in connection with such Proceedings, including, without limitation, the making, enforcement or execution (against any assets whatsoever, irrespective of their uses or intended uses), of any order or judgment made or given in any such Proceedings, and, to the extent that the Issuer may in any jurisdiction claim for itself or its assets, or have attributed to it or its assets, any right of immunity on the grounds of sovereignty or otherwise from any legal action, suit or proceeding, the Issuer hereby irrevocably agrees not to claim and waives such immunity to the fullest extent permitted by law.

USE OF PROCEEDS

The net proceeds from the sale of Notes will be used by the Issuer for its general operations, including the repayment of foreign currency obligations and the making of foreign currency loans.

THE KOREA DEVELOPMENT BANK

Purpose and Authority

The Bank was established in 1954 as a governmental financial institution pursuant to The Korea Development Bank Act of 1953, as amended (the "KDB Act"). All of the Bank's paid-in capital is owned by the Government of Korea (the "Government"). The Bank is treated as a special juridical person under Korean law and is not subject to the restrictions and controls generally imposed by Korean law on commercial banks and their operations.

Under the KDB Act, the related Enforcement Decree (the "Enforcement Decree") of the KDB Act and the By-Laws (the "By-Laws") of the Bank, the Bank's primary purpose is to "furnish and administer funds for the financing of major industrial projects in order to expedite industrial development and expansion of the national economy". As an instrumentality serving public policy objectives of the Government, the Bank does not seek to maximise profits. However, the Bank does seek to maintain an overall level of profitability which allows it to strengthen its equity base in order to support the growth in the volume of its business.

In the years following its establishment in 1954, the Bank directed the majority of its activities towards the rehabilitation of industrial facilities destroyed during the Korean War. Since 1962, the Bank has given priority to financing projects contained in the Government's Five Year Economic and Social Development Plans. Historically, the Bank has also given priority to projects promoting exports and import substitution, and to projects making relatively high use of domestic raw material or labour. In keeping with the Government's current industrial policy, the Bank is increasing significantly its support for high-tech and information-related industries and promising small and medium-sized enterprises through loans and investments.

The KDB Act, the Enforcement Decree and the By-Laws define and regulate the powers and authority of the Bank. The Bank's principal mandate has been to make loans available for the acquisition, improvement or repair of machinery and equipment and the development of high technology that can contribute to the expansion of electric power, coal mining, shipbuilding, iron and steel production, and other major industries. Most of the Bank's activities have been carried out pursuant to this authority and such loans are characterised by the Bank as equipment capital loans. The Bank also has the authority to extend working capital loans to borrowers to whom it has extended equipment capital loans and to enterprises the capital of which has been subscribed for, or is owned by, the Government or the Bank, to other persons who have been engaged in the business of high technology and high technology products and to manufacturing enterprises which are closely related to enhancing the corporate competitiveness of the manufacturing industry and leading edge high-tech companies as set forth in the By-laws.

The Bank also has authority to undertake a range of other financial activities. It may: issue guarantees for the benefit of projects of the type which the Bank has the authority to finance; make equity investments in Korean corporations engaged in activities of the type which the Bank has the authority to finance or which are designated by the Government; subscribe to, underwrite or guarantee municipal debentures or corporate debentures issued in relation to the finance of major industrial projects; underwrite stocks of Government owned corporations carrying out major industrial projects; execute foreign exchange transactions; provide planning, management, research and other support services at the request of the Government, public bodies, financial institutions or enterprises; and carry out other activities incidental to the foregoing. The Bank is also authorised to engage in derivatives transactions.

Government Support and Supervision

Effective January 1998, the KDB Act was amended to increase the Bank's authorised capital from ₩5 trillion to ₩10 trillion, which has enhanced the Bank's operating capacity considerably. Pursuant to the KDB Act, all of the Bank's paid-in capital is required to be held by the Government. During 1996, the Government added ₩200 billion to the Bank's paid-in capital which, as of 31st December, 1996, was ₩1,813.5 billion. During 1997, the Government added ₩960 billion to the Bank's paid-in capital and ₩200 billion was converted into capital from the Bank's reserve. As of 31st December, 1997, the total paid-in capital of the Bank was ₩2,973.5 billion. On 24th February,

1998, the Government contributed to the Bank's capital 9,542,985 shares of common stock of Pohang Iron & Steel Co. Ltd. and 5,968,368 shares of common stock of Korea Tobacco & Ginseng Corporation, which amounts to an aggregate contribution of ₩700 billion to paid-in capital. ₩740 billion was injected by the Government in September 1998. In October 1998, the Government contributed ₩350.0 billion and ₩256.1 billion in the form of cash and pass-through investment respectively. In November 1998, additional ₩3.9 billion was injected in the form of "pass-through" investment. As of 31st December, 1998, the Bank wrote off ₩4,218.8 billion in capital because of the huge loss in the fiscal year 1998, while the government-owned stocks worth ₩3,367.0 billion were injected. Eventually, the Bank's paid-in capital reached ₩4,171.7 billion as of the end of 1998. In 1999, the Government contributed an additional ₩200.0 billion in cash and ₩600.0 billion in other banks' securities to the Bank. The Government also injected ₩100.0 billion in cash in February 2000. A capital surplus of ₩950,181 million and legal reserves of ₩456,997 million were used to offset accumulated deficit on 28th February, 2001 with the approval of the Government. In June 2001, the Government contributed an additional ₩3,000 billion in common stock of the Government-owned enterprise, Korea Electric Power Corporation ("KEPCO"). The Government contributed ₩50.0 billion in cash to the Bank's capital on 29th December, 2001. On 30th April, 2004 the Government additionally contributed ₩1,000 billion in the form of ₩695 billion in KEPCO shares and ₩305 billion in subscription certificates of Korea Water Resources Corporation. These contributions increased the Bank's total paid-in capital to ₩8,241.8 billion as of 30th June, 2004.

In addition to contributions to the capital of the Bank, the Government provides direct financial support for the financing activities of the Bank. The Government lends funds to the Bank for on-lending by the Bank. The Government allows the Bank to administer Government loans with maturities in excess of one year made from a range of special Government funds. The Government's determination each fiscal year regarding the amount of financial support to extend to the Bank, in the form of loans, guarantees or contributions to capital, plays an important role in determining the Bank's own lending capacity.

The Bank's operations are also supported by the Government pursuant to Articles 43 and 44 of the KDB Act. Article 43 provides that "the annual net profit of the KDB, after adequate allowances are made for depreciation in assets, shall be totally transferred to the legal reserve" and that accumulated amounts in such legal reserve may be capitalised in accordance with the provisions of the Enforcement Decree. Article 44 provides that "the annual net losses of the Bank shall be offset each year by the legal reserve, and if the legal reserve be insufficient, the deficit shall be replenished by the Government".

As a result of the KDB Act, the Government is generally responsible for the operations of the Bank and is legally obligated to replenish any deficit that arises if the Bank's legal reserve is insufficient to cover any of its annual net losses. In light of the above, if the Bank had insufficient funds to make any payment under any of its obligations (including the Notes), the Government would take appropriate steps (by making a capital contribution, by allocation of funds or by taking other action) to enable the Bank to make such payment when due. The provisions of Article 44 do not, however, constitute a direct guarantee by the Government of the obligations of the Bank under the Notes and the provisions of the KDB Act, including Article 44, may be amended at any time by action of the National Assembly.

The Bank's operations are subject to the close supervision of the Government. The Minister of Finance and Economy has supervisory authority over the Bank. In November of each year, the Bank is required to submit to the Minister of Finance and Economy, for his approval, the Bank's proposed programme of operations for the succeeding year.

The Bank's budget and settlement of accounts are governed by statute, and the Bank's settlement of accounts is subject to examination each year by the Board of Audit and Inspection, a constitutional government agency. The Financial Supervisory Commission has supervisory authority over the soundness of the Bank's management. The Financial Supervisory Commission supervises banking, securities and insurance businesses in Korea. Such reviews and examinations are conducted to confirm the accuracy of the Bank's transactions but do not constitute an audit of the financial statements of the Bank. With the May 1999 Amendment of the KDB Act, the Financial Supervisory Commission has the independent supervisory authority over the Bank, if deemed necessary, to check

the soundness of management and can issue orders for correction. The Bank must also submit an annual report to the National Assembly within four months after the end of each fiscal year outlining its operations and analysing its activities during such fiscal year.

The Minister of Finance and Economy may request the Bank to report on such matters as are deemed necessary and may examine the books, records and other necessary documents of the Bank. On the basis of such reports and examinations, the Minister of Finance and Economy may issue to the Bank such orders concerning the business of the Bank as he deems necessary for the enforcement of the KDB Act. Amendments to the By-laws may be adopted only with the approval of the Minister of Finance and Economy.

The Government, acting through the President of Korea and the Minister of Finance and Economy, has the power to appoint or dismiss the Governor and Chairman of the Board of Directors, Deputy Governor, Executive and Non-executive Directors and Auditor of the Bank, respectively.

Recent amendments to the KDB Act

An amendment to the KDB Act, which was promulgated on 28th August, 1997 and became effective as of 29th November, 1997 (the "November 1997 Amendment"), broadens the permissible range of the Bank's business activities. As a result, the Bank (a) may provide equipment capital loans to major industrial sectors generally, rather than to specified sectors, (b) may provide working capital loans not only to existing customers but also to new customers involved in high-technology industries, (c) may engage freely in foreign exchange business with not only existing customers but also new customers, (d) may subscribe, underwrite or guarantee debt securities of any maturity in the primary market, (e) may operate, based upon the more flexible annual program of operations approved by the Minister of Finance and Economy and (f) may engage in securities dealing activities in the secondary market.

The November 1997 Amendment also provides greater flexibility to the Bank's funding activities. For example, prior to the November 1997 Amendment, the Bank was permitted to accept demand deposits only from its existing customers. As a result of the November 1997 Amendment, the Bank may accept demand deposits from the central and local government and, subject to further revision to the KDB Decree, the Bank may also be permitted to accept demand deposits from additional sources. In addition, the Bank is no longer required to obtain prior approval from the Minister of Finance and Economy in respect of overseas borrowings or subject to an annual ceiling for the issuance of industrial finance bonds. Finally, under the November 1997 Amendment, the Bank will have more flexibility in utilising its unemployed funds.

The November 1997 Amendment will also significantly enhance the Bank's managerial autonomy. The Bank will be able to pursue and administer banking activities in a more business-oriented manner. Formerly, the management objectives of the Bank were established in accordance with the guidelines published by the Minister of Finance and Economy. Also the management's performance was annually evaluated by the Management Evaluation Task Force on the same criteria applied to state-run manufacturing companies. According to the November 1997 Amendment, however, the Board of Directors consisting of the Governors and Chairman of the Board of Directors, Deputy Governor and Directors including two Non-executive Directors, appointed to improve management transparency of the Bank, is now the highest decision-making body of the Bank and will decide all important matters relating to the operations of the Bank. The Governor and Chairman of the Board of Directors is appointed by the President of Korea upon the recommendation of the Minister of Finance and Economy. The Deputy Governor and Executive Directors are appointed from among the employees of the Bank by the Minister of Finance and Economy upon the recommendation of the Governor.

Despite these amendments, however, the November 1997 Amendment has not changed the Government's support and supervision of the Bank, including those provided under Article 44 of the KDB Act.

Within the framework for reform endorsed by the International Monetary Fund, the Government promulgated the amendment to the KDB Act on 13th January, 1998 (the "January 1998 Amendment"). The January 1998 Amendment became effective as of 1st April, 1998, except that

certain articles in the January 1998 Amendment (including amended Article 44 of the KDB Act) became effective as of 13th January, 1998. The January 1998 Amendment increased the authorised capital of the Bank from ₩5 trillion to ₩10 trillion. In addition, all of the Bank's borrowings from the Government are subordinated to other indebtedness incurred by the Bank in its operations. Pursuant to amended Article 44 of the KDB Act, the Government may offset any deficit that arises if the Bank's legal reserve is insufficient to cover any of its annual net losses by transferring property, including government securities, to the Bank. The January 1998 Amendment also allows the Minister of Finance and Economy to delegate his authority to examine the Bank to the Financial Supervisory Commission.

Effective as of 24th May, 1999, the May 1999 Amendment aimed at giving the Financial Supervisory Commission independent supervisory authority over the Bank, which had been previously given only to the Ministry of Finance and Economy. Presently, the Financial Supervisory Commission, along with the Ministry of Finance and Economy, has independent supervisory authority over the soundness of the Bank's management.

In February 2002 the National Assembly passed a bill which became effective in March 2002 to amend the KDB Act for the purpose of enabling the Bank, among other things, to:

- obtain low-cost funds from the Bank of Korea and from the issuance of debt securities other than Industrial Finance Bonds, which may be used for increased levels of lending to small and medium-sized enterprises;
- broaden the scope of borrowers to which the Bank may extend working capital loans to include companies in the manufacturing industry, enterprises which are closely related to enhancing the corporate competitiveness of the manufacturing industry and leading edge high-tech companies; and
- extend credits to mergers and acquisitions projects intended to facilitate corporate restructuring efforts.

Loan Operations

The Bank's main financing activity is the provision of equipment capital loans and working capital loans, principally to private Korean enterprises that undertake major industrial projects. Since its establishment, the Bank has been the leading bank in Korea with respect to the provision of long-term financing for projects designed to assist the nation's economic growth and development. Loans made by the Bank to finance specific projects generally cover over 50%, and in some cases as much as 100%, of the total cost of the project. In order to ensure that the loan funds are used for their intended purpose, the Bank usually does not disburse immediately following commitment. Instead, loan proceeds are disbursed in instalments as the project progresses. The Bank is required by the KDB Act to monitor the projects or enterprises to which it has extended loans or in which it has invested. The Bank is also authorised by the KDB Act to assign its own personnel to a borrower that requires management assistance.

The major factors taken into consideration by the Bank before a loan is approved are the economic benefits of the project to Korea, the extent to which the project serves priorities established by the Government's industrial policy, the project's operational feasibility, the loan's and the project's profitability, and the quality of the borrower's management.

Equipment capital loans made by the Bank generally have original maturities ranging from five to ten years, although the Bank occasionally makes such loans with longer original maturities. The original maturities of working capital loans usually do not exceed two years.

Loans made by the Bank to corporations and other enterprises are generally fully secured by collateral, the values of which usually exceed 100% of the amount of the loans extended. The nature of such collateral varies depending on the type of borrower and the type of loan being made by the Bank and ranges from security interests in equipment purchased with the proceeds of loans to security interests in industrial plant, real estate and marketable securities.

The manufacturing sector accounted for 44.9% of the Bank's new loans in 2003. Loans related to the transportation and communication sectors and loans related to electricity and waterworks sectors represented 22.6% and 19.4%, respectively, of the Bank's new loans in 2003.

As of 31st December, 2003, the largest single borrower from the Bank was Small and Medium Industry Promotion Corporation, accounting for approximately 10.2% of all the Bank's outstanding loans. As of 31st December, 2003, the five largest borrowers from the Bank accounted for approximately 20.2% of all the Bank's outstanding loans and the twenty largest borrowers from the Bank accounted for approximately 35.0% of all the Bank's outstanding loans. The Bank's total outstanding loans on 31st December, 2003 may be categorised by industry sector as follows: Manufacturing — 47.8%, Banking and Insurance — 8.4%, Public Administration and National Defense — 10.4%, Transportation and Communication — 10.7%, Electric, Gas and Water Supply Industry — 6.7%, and Others — 16.0%.

As of 30th June, 2004, the largest single borrower from the Bank was the Small & Medium Industry Promotion Corp., accounting for approximately 9.6% of all the Bank's outstanding loans. As of 30th June, 2004, the five largest borrowers from the Bank accounted for approximately 20.2% of all the Bank's outstanding loans and the twenty largest borrowers from the Bank accounted for approximately 35.6% of all the Bank's outstanding loans. The Bank's total outstanding loans on 30th June, 2004 may be categorised by industry sector as follows: Manufacturing — 49.7%, Banking and Insurance — 13.2%, Public Administration and National Defense — 9.9%, Transportation and Communication — 8.9%, Electric, Gas and Water Supply Industry — 5.0%, and Others — 13.3%.

Guarantee Operations

The Bank is authorised to extend guarantees in both local and foreign currencies for the benefit of its clients in order to facilitate their borrowing from other local or foreign sources. Guarantees are also extended on bonds issued to finance major industrial projects. Guarantees in local currency are extended for credit enhancement purposes in connection with the issuance of corporate debentures and the receipt of local currency loans, and to support the payment of other liabilities. Guarantees in foreign currencies are extended for credit enhancement purposes in connection with the receipt of foreign currency loans from domestic and overseas Korean financial institutions and from foreign institutions. The KDB Act and the By-Laws limit the aggregate amount of the Bank's industrial finance bond obligations and guarantee obligations to an amount equal to 30 times the paid-in capital and legal reserves. Bonds purchased or guaranteed by the Government are not included in this limit. As of 31st December, 2003, the Bank's outstanding guarantees of ₩9,675.3 billion were categorised as follows: Acceptance — ₩727.3 billion, Guarantees on local borrowings — ₩654.8 billion, Guarantees on indebtedness for foreign currency — ₩8,253.9 billion, and Letters of guarantees for importers — ₩39.3 billion. As of 30th June, 2004, the Bank's outstanding guarantees of ₩11,211.3 billion were categorised as follows: Acceptance — ₩718.4 billion, Guarantees on local borrowings — ₩1,411.7 billion, Guarantees on indebtedness for foreign currency — ₩9,033.5 billion, and Letters of guarantees for importers — ₩47.3 billion.

On 13th November, 2002, the Bank entered into a guarantee agreement with KEPCO with respect to certain of KEPCO's debt securities in connection with KEPCO's restructuring and privatisation. Pursuant to the guarantee agreement, the Bank issued in February 2003 a guarantee to holders of KEPCO's Yankee and Global debt securities with final maturities ranging from 2003 to 2096 (although the Bank's guarantee obligations only run through 2016) in an aggregate principal amount of approximately ₩3.3 trillion, based on exchange rates prevailing on the guarantee issuance date, 25th February, 2003, and the Bank issued in April 2003 a guarantee to holders of KEPCO's Eurobonds with final maturities ranging from 2004 to 2007 in an aggregate principal amount of approximately ₩0.9 trillion, based on exchange rates prevailing on the guarantee issuance date, 29th April, 2003. In addition, the Bank issued in February 2004 the guarantee to the holders of KEPCO debt securities denominated in Japanese Yen with final maturities ranging from 2005 to 2006 in an aggregate principal amount of approximately ₩0.9 trillion, converted by the prevailing exchange rates as of the guarantee issuance date, 10th February, 2004. The guarantees described above constitute full, irrevocable and unconditional guarantees, on an unsecured and unsubordinated basis, in respect of the principal, interest and other payments due with respect to those debt obligations. KEPCO paid and will continue to pay the Bank an annual guarantee fee of 0.05% of (i) the

aggregate outstanding principal amount of all issues of debt securities that will be covered by the benefit of the Bank's guarantee and (ii) the sum of all interest payments due on such debt securities from the date of calculation until the earlier of their maturity or their stated redemption date.

The Bank currently owns approximately 26.93% of the outstanding shares of common stock of KEPCO, and the Government, which owns all of the Bank's paid-in capital, owns an additional 27.03% of such shares.

Investments

In accordance with its business purpose as stipulated in the KDB Act, the Bank holds equity investments in a range of Korean private and Government-owned enterprises. The Bank's general policy is not to control a company in which it invests unless the Bank is specifically instructed to do so by the Government. Although equity investments are generally made for long-term investment purposes, the Bank does from time to time sell or liquidate investments, principally in line with the Government's privatisation programme. Equity investment increased from ₩13,946.8 billion in 2002 to ₩14,931.4 billion in 2003. This was principally as a result of valuation gains on capital stock of Hyundai Engineering & Construction Co., Ltd. as well as Hynix Semiconductor Inc. During 2003, the Bank made new equity investments totaling ₩80.6 billion in 52 small- and medium-sized enterprises.

The KDB Act and the By-Laws provide that the cost basis of the Bank's total equity investments may not exceed an amount equal to twice the sum of the Bank's own paid-in capital plus its legal reserve. As of 31st December, 2003, the Bank's cost basis in its equity investments of ₩4,092.9 billion was equal to 27.4% of such equity investment ceiling, up from ₩3,953.3 billion as of 31st December, 2002.

As of 31st December, 2003, the Bank held total equity investments on a book value basis of ₩2,259.6 billion in four of its five largest borrowers and ₩4,597.7 billion in 13 of its 20 largest borrowers. The Bank does not have an established policy regarding the extension of loans to enterprises in which it holds equity interests (or the terms and conditions of any such loans) or the taking of equity interests in enterprises to which it has extended loans and makes such decisions on a case-by-case basis.

When financial statements for the entities in which it holds such equity securities are available, the Bank normally determines the value of its equity investments in such securities annually, on a net asset value basis. The Bank determines the value of its equity investments in publicly-listed securities based on the prevailing market price of such securities. The aggregate value of the Bank's equity investments amounted to approximately 109.4% of its cost basis in such equity investments as of 31st December, 2003.

As part of its investment activities, the Bank also underwrites straight and convertible bond issues for domestic corporate issuers and invests in municipal debentures to enable the Government to make available Won funds to municipal authorities at subsidised interest rates, principally for the financing of water supply and drainage infrastructure projects.

Other Activities

In addition to the foregoing financing activities, the Bank engages in other activities related to its primary industrial development activities. On its own behalf and for clients, the Bank conducts economic and industrial research, performs engineering surveys, provides business analyses and provides managerial assistance.

In 1989, the Bank began offering trust services. As of 31st December, 2003, the Bank held in trust cash and other assets of ₩14,119.7 billion.

Reserves for Possible Loan Losses and Loans in Arrears

Losses incurred by the Bank on loans, guarantees or investments are charged to the Bank's legal reserve. As described in "Government Support and Supervision", Article 44 of the KDB Act provides that if the legal reserve is insufficient to cover the net annual losses of the Bank, such losses are to be replenished by the Government.

The Bank sells a significant portion of its loans in arrears and delinquent reimbursement obligations arising in connection with guarantees to the Korea Asset Management Corp. ("KAMCO") which specialises in the collection of bad debts. The remaining portion of its loans in arrears and delinquent reimbursement obligations (called bad debt) are under the direct management of the Bank with due care. The Bank disposed of ₩3,123.1 billion of NPAs classified as or below substandard to KAMCO at ₩1,360.7 billion in 1999. The resulting loss was recorded as loss on disposition of loans in the year. In 2000, the Bank sold ₩1,053.0 billion of NPAs at ₩605.0 billion to KAMCO. In 2001, the Bank sold ₩58.1 billion of NPAs to KAMCO at ₩18.1 billion. In 2002 the Bank sold ₩108.8 billion of non-performing loans to KAMCO for ₩44.3 billion. In 2003, no NPAs were sold by the Bank to KAMCO.

As of 31st December, 2003, the total bad assets (categorised as substandard or below) of the Bank was ₩1,657.5 billion, up from ₩994.0 billion in 2002. This total represented approximately 3.0% of the aggregate credits (loans, guarantees and other quasi loans) outstanding as of such date. Of the total credit, substandard credits secured, overdue more than 3 months amounted to ₩1,419.0 billion, doubtful credits unsecured, overdue more than 3 months but less than 12 months amounted to ₩157.7 billion and estimated loss amounted to ₩80.8 billion. The increase in bad assets was largely attributable to the existing credit exposures to financially troubled companies such as SK Networks Co., Ltd. and Korea Thrunet Co., Ltd. Accordingly, the Bank's bad asset ratio (percentage of substandard or below assets to total assets) in 2003 rose to 2.96% from 1.94% in 2002. In addition, at the end of 2003, the Bank's loss coverage ratio (percentage of total provisions to bad assets) stood at 67.8%.

The Bank establishes provision for possible losses from problem loans, guarantees and other extensions of credit, based on length of the delinquent periods and the nature of the loans, guarantees and other extensions of credit. As of 31st December, 2003, the Bank established provisions of ₩1,097.0 billion for possible loan losses and bad debt securities, 0.64% higher than that of 2002.

In 2004, despite various efforts to lessen NPAs such as debt/equity swap write-offs and sales to the third parties, the amount of NPAs is expected to slightly increase due to new non-performing loan classification of certain companies such as Sewon Telecom Ltd. and Hankook Core Co., Ltd.

The BIS capital adequacy ratio decreased to 16.22% at the end of 2003 from 16.81% at the end of 2002. As of 30th June, 2004, the Bank's BIS capital adequacy ratio increased to 18.09% due to a capital injection from the Government.

Sources of Funds

In addition to its own capital and reserves, the Bank obtains funds primarily through borrowings from the Government, issues of bonds in the domestic and international capital markets and borrowings from international financial institutions or foreign banks. All of the Bank's borrowings are made on an unsecured basis.

The Bank is authorised to issue bonds both in Korea and abroad. The repayment of principal of and interest on such bonds may, in some cases, be directly guaranteed by the Government. Domestic industrial finance bonds have generally been issued at fixed interest rates with original maturities of one to ten years. As of 31st December, 2003, the outstanding balance of industrial finance bonds issued by the Bank amounted to ₩36,875.9 billion (U.S.\$31,996.4 million) without considering premium and discount on bonds at the time of issue, of which ₩25,210.6 billion was denominated in Won and ₩11,665.3 billion was denominated in other currencies. The amount of industrial finance bonds that the Bank may issue is limited by ceilings set annually by the Minister of Finance and Economy. In addition, pursuant to the KDB Act which was amended by the Korean National

Assembly on 16th December, 1994, the ceiling of the sum of the aggregate outstanding principal amount of bonds issued by the Bank (other than those that are directly guaranteed or purchased by the Government) and the aggregate outstanding amount of the Bank's obligations in respect of guarantees (other than those arising from statutes) increased to an amount equal to thirty times the sum of the Bank's paid-in capital plus its legal reserve from the previous amount of ten times thereof. As of 31st December, 2003, the aggregate amount of such obligations of the Bank in respect of industrial finance bonds and guarantees, ₩48,664.7 billion (U.S.\$40,628.4 million), was equal to 21.5% of the Bank's authorised amount of ₩226,050.0 billion (U.S.\$188,721.0 million) for such obligations.

Since its formation, the Bank has borrowed from the Government. As of 31st December, 2003, borrowings from the Government totalled ₩7,796.7 billion (U.S.\$6,509.2 million). Borrowings from the Government are made in two forms: borrowings from general purpose funds and borrowings from special purpose funds. Borrowings from general purpose funds totalled ₩1,923.1 billion (U.S.\$1,605.5 million) as of 31st December, 2003. These general purpose borrowings are generally made in Won at fixed interest rates and for original maturities ranging from seven to 35 years. Borrowings made from special purpose funds such as the Small and Medium Industry Promotion Fund, the Petroleum Business Fund, the Tourism Promotion Fund and the Special Industry Supporting Fund, totalled ₩2,402.8 billion (U.S.\$2,006.0 million) as of 31st December, 2003. These special purpose borrowings are made in connection with specific projects to be financed by the Bank. Accordingly, the interest rate and maturity of each such special purpose borrowing are linked to those of the loan extended by the Bank to fund the related specific project.

Since 1997, the Government has on-lent to the Bank most of the proceeds of the loans from the World Bank and the Asia Development Bank to the Government, which has been introduced as a rescue fund to overcome the financial costs in 1997-98. The funds from those supranational institutions are granted to fund special projects. The Bank borrowed a total of U.S.\$5 billion from this source of funds in late 1997, U.S.\$3.5 billion in 1998, U.S.\$1,004.6 million in 1999, U.S.\$501.6 million in 2000 and U.S.\$1.3 million in 2001. As of 31st December, 2003, the outstanding amount of such borrowings was U.S.\$4,903.3 million. During 1998 and 1999, the Bank also concluded agreements for U.S.\$3.0 billion loan facilities with the Export-Import Bank of the United States and the Japan Bank for International Cooperation, of which U.S.\$735.1 million has been drawn down as of the end of 2003.

The Bank borrows money from institutions, principally syndicates of commercial banks, outside Korea mostly at floating interest rates in foreign currencies. The Bank frequently enters into related interest rate and currency swap transactions, mainly for the purpose of hedging the risks from the transactions in foreign currencies. The loans generally have original maturities of five to ten years.

From 1986 through 1996, the Bank of Korea accumulated substantial surplus foreign currency, a portion of which is deposited with the Bank. The Bank of Korea deposits are classified as foreign currency borrowings. The amount of these deposits totalled ₩254.7 billion, ₩156.1 billion and ₩72.6 billion as of 31st December, 2001, 2002 and 2003, respectively. These deposits, typically denominated in U.S. dollars, bear interest at floating rates and have maturities of one year, although the Bank frequently extend the maturities on a year-to-year basis. Some of these deposits, however, are made at the direction of the Government to finance certain development projects and have longer maturities matching the terms of the related loans extended by the Bank.

The Bank's long term and short term foreign currency borrowings decreased to ₩13,721.1 billion as of 31st December, 2003 from ₩17,434.9 billion as of 31st December, 2002.

The Bank is also authorised to receive time and savings deposits and demand deposits from the public. In order to prevent competition with commercial banks, demand deposits may be accepted only from enterprises to which the Bank has extended credit. Time and savings deposits, however, may be accepted from the general public. As of 31st December, 2003, demand deposits held by the Bank totalled ₩435.6 billion (U.S.\$363.7 million) and time and savings deposits totalled ₩6,702.9 billion (U.S.\$5,596.0 million), including foreign currency deposits respectively. Time and savings deposits generally have short-term maturities and bear interest at fixed rates. Totals of deposits and negotiable certificates of deposit amounted to ₩10,716.3 billion as of the end of 2003, and ₩9,868.8 billion as of 30th June, 2004.

The following table shows the principal repayment schedule with respect to the Bank's outstanding debt as of 30th June, 2004, adjusted as noted below:

Debt Principal Repayment Schedule

	Maturing on or before 30th June,				
	2005	2006	2007	2008	Thereafter
	(in billions of Won)				
Korean Won	19,503.2	6,334.6	5,452.2	1,113.4	3,389.4
Deposits	3,258.4	269.2	24.7	2.5	144.8
Borrowings	579.3	600.0	566.4	614.9	2,094.2
Bonds	15,665.5	5,465.4	4,861.2	496.1	1,150.4
Foreign Currencies	10,012.7	3,045.9	2,988.6	2,409.6	6,204.4
Deposits	327.4	1.2	—	—	—
Borrowings	8,270.6	1,111.3	921.1	585.3	2,261.3
Bonds	1,414.7	1,933.4	2,067.5	1,824.3	3,943.1
Total	29,515.9	9,380.5	8,440.8	3,523.1	9,593.9

(1) Borrowing in foreign currencies have been translated into Won, for purposes of calculating total Won amounts, at the market average exchange rates on 30th June, 2004, as announced by the Seoul Money Brokerage Service, Ltd.

Debt Record

The Bank has never defaulted in the payment of principal or of interest on any of its obligations.

Overseas Banking Operations

The Bank currently maintains five branches in Tokyo, Shanghai, Singapore, New York and London, two overseas representative offices in Frankfurt and Beijing and three overseas subsidiaries in Hong Kong, Dublin and Budapest.

During 1998, 1999 and 2000, the Bank closed an overseas branch in Bangkok, five overseas subsidiaries, Korea Associated Securities Inc., KDB Bank (Schweiz) AG, KDB(UK) Ltd, KDB International (Singapore) Ltd, KDB (Deutschland) GmbH, and eleven overseas representative offices in Toronto, Budapest, Sydney, Mexico City, Hanoi, Manila, Paris, Santiago, Moscow, New Delhi and Jakarta.

Property

The head office of the Bank is located at 16-3, Yeouido-dong, Yeongdeungpo-gu, Seoul 150-973, Korea, a 99,839 square metre building completed in 2001 and owned by the Bank. In addition to the head office, the Bank maintains 36 branches in major cities throughout Korea, including 9 in Seoul, and maintains five overseas branches and two overseas representative offices. The Bank's domestic offices are generally located in premises owned by the Bank while its overseas offices are generally located in facilities held under long-term leases.

Directors and Management; Employees

The Bank is managed by the Board of Directors, which consists of the Governor and Chairman of the Board of Directors, the Deputy Governor and Executive Directors. The Governor and Chairman of the Board of Directors is appointed by the President of Korea upon the recommendation of the Minister of Finance and Economy. The Minister of Finance and Economy appoints the Deputy Governor, Executive Directors and Non-executive Directors upon the recommendation of the Governor. This highest decision-making body of the Bank decides all important matters relating to the operations of the Bank. The members of the Board of Directors are each appointed for a three-

year term and may be re-appointed. The business address of all the members of the Board is the Registered Office of the Bank. The names of the members of the Board of Directors as of the date of this Information Memorandum are:

Governor and Chairman of the Board of Directors:	Ji-Chang Yoo
Deputy Governor:	Yun-Woo Lee
Executive Directors:	Jae-Hong Chang Jong-Bae Kim Chong-Gyu Laah Jeong-Soo Lee In-Chul Kim Ho In

As of the date hereof, none of the directors referred to above performs any significant principal activity outside the Bank.

As of 31st December, 2003, the Bank employed 1,984 persons, of whom 1,349 were located in the Seoul head office.

Capitalisation and Indebtedness

As of 31st December, 2003, the capitalisation and indebtedness of the Bank (based on the audited consolidated financial statements) was as follows⁽¹⁾:

	(billions of Won)	(millions of Dollars) ⁽²⁾
Short-term debt⁽²⁾		
Won currency borrowings	868.5	725.0
Industrial finance bonds	15,667.7	13,080.4
Foreign currency borrowings	7,318.4	6,109.8
Total short-term debt	23,854.6	19,915.2
Long-term debt⁽²⁾⁽³⁾		
Won currency borrowings	3,909.5	3,264.0
Industrial finance bonds	21,833.6	18,228.1
Foreign currency borrowings	7,140.7	5,961.5
Total long-term debt	32,883.8	27,453.6
Capital:		
Paid-in capital ⁽¹⁾⁽⁵⁾	7,241.8	6,046.0
Capital surplus	21.3	17.8
Retained earnings	62.0	51.8
Capital adjustments	(111.8)	(93.4)
Total capital	7,213.3	6,022.2
Total capitalisation and indebtedness	63,951.7	53,391.0

(1) As of 31st December, 2003, the authorised capital of the Bank amounted to ₩10,000.0 billion.

(2) Borrowings in foreign currencies have been translated into Won at the rate of ₩1,197.8 to U.S.\$1.00, which was the market average exchange rate, as announced by the Seoul Money Brokerage Service, Ltd. on 31st December, 2003. The Won amount of long-term debt denominated in foreign currencies may vary significantly depending on the date.

(3) The Bank had contingent liabilities in the aggregate amount ₩10,275.5 billion under outstanding guarantees issued on behalf of Korean clients as of 31st December, 2003.

(4) As of 31st December, 2003, total unsecured debt amounted to U.S.\$47,368.8 million, of which 0.45% was guaranteed and 99.55% was unguaranteed. As of 31st December, 2003, the Bank had no long-term secured debt.

(5) Up until the end of 2003, the Government, in numerous cases, injected capital via cash contributions and securities held by the Government. On 13th August, 2003, the Government injected cash in the amount of ₩80.0 billion. On 30th April, 2004, the Government added ₩1,000 billion consisting of KEPCO and KOWACO common stock.

- (6) Save as disclosed above, there has been no material change in the capitalisation and indebtedness of the Bank nor its contingent liabilities and guarantees since 31st December, 2003.

Financial Statements and the Auditor

The Auditor of the Bank is appointed for a term of three years by the Minister of Finance and Economy and is responsible for examining the financial operations of the Bank and auditing its financial statements and records. The present Auditor of the Bank is Gong-Jae Lee, who was appointed on 22nd January, 2001.

The Bank prepares its financial statements annually for submission to the Minister of Finance and Economy, accompanied by an opinion of the Auditor. In addition, pursuant to the KDB Act, the Bank's financial statements are available for public review at its offices and branches.

Although the Bank is not legally required to have financial statements audited by external auditors, an independent public accounting firm has audited the Bank's non-consolidated financial statements as of and for the year ended 31st December, 2003, according to the recommendation of the Ministry of Finance and Economy. Such an external audit has been conducted since 1998 after the 1997-98 financial crisis, in compliance with the recommendation of the Ministry of Finance and Economy, not with the KDB Act or other laws. As of the date hereof, the external auditor of the Bank is Samil PricewaterhouseCoopers, located at Kukje Center Building, 191, Hangangro 2ga, Yongsanku, Seoul 140-702, Korea.

Subsidiaries

As of the date hereof, the Bank has two domestic and three overseas consolidated subsidiaries over which the Bank exercises management control.

The Bank has two domestic subsidiaries over which the Bank exercises management control. As of 31st December, 2003, the Bank held 97.5% of KDB Capital Corp., which, having been established in March 1999 following the merger of Korea Technology Finance Corp. and the Korea Industrial Leasing Co., engages in leasing and provides investment funds to venture companies; and 39.5% of Daewoo Securities Co., Ltd., which is an investment and securities company.

The Bank has three overseas subsidiaries over which the Bank exercises management control: KDB Asia Ltd., a wholly owned subsidiary established in January 1986, which engages in a variety of banking and merchant banking services such as underwriting of new issues, syndicating loans and trading securities; KDB (Ireland) Ltd., a wholly owned subsidiary set up in June 1997, which engages in commercial lending to Korean companies and securities investments and KDB Bank (Hungary) Ltd., a wholly owned subsidiary acquired from Daewoo Securities Co., Ltd. in 2002, which engages in commercial banking services.

The table below sets forth information regarding the Bank's consolidated subsidiaries as of 31st December, 2003:

	<u>Invested amount</u>	<u>Ownership ratio</u>
	(in millions)	
Domestic subsidiaries		
KDB Capital Corp.	₩ 754,052	97.5%
Daewoo Securities Co., Ltd.	563,247	39.5%
Daewoo Shipping & Marine Engineering Co., Ltd.	2,999,128	31.1%
Seoul Debt Restructuring Fund	76,752	43.8%
Arirang Restructuring Fund.	95,353	43.7%
Mukoonghwa Restructuring Fund	94,331	43.7%
Korea Infrastructure Fund.	20,678	82.0%
Pan Ocean Shipping Co., Ltd.	97,396	64.5%
Seoul Investment Trust Management	17,350	81.9%
Samwon Industrial Co., Ltd.	575	42.3%
Delta Info-Comm. Co., Ltd.	25,853	68.1%
	<u>₩2,044,715</u>	
Foreign Subsidiaries		
KDB Asia (HK) Ltd.	U.S.\$ 70.0	100.0%
KDB Ireland Ltd..	U.S.\$ 20.0	100.0%
KDB Bank (Hungary) Ltd.	U.S.\$ 29.3	100.0%
Metropolitan Industrial Leasing Co., Ltd.	THB 50.0	25.0%
Vietnam International Leasing Co., Ltd.	U.S.\$ 1.6	32.0%
Daewoo Securities (America)	U.S.\$ 12.0	100.0%
Daewoo Securities (Europe)	U.S.\$ 18.4	100.0%
Daewoo Securities (Hong Kong)	U.S.\$ 10.0	100.0%
UZ Daewoo Bank	U.S.\$ 5.5	55.0%
Optimal Access Investment Limited and others	U.S.\$ 14.6	70.0%
Daewoo Mangalia Heavy Industries.	Lei 156,138.0	51.0%
Won Equivalent.	<u>₩ 213,887</u>	

TAXATION

Korea

The following is a summary of the principal Korean income tax consequences of ownership of Notes. Persons considering the purchase of Notes should consult their own tax advisors with regard to the application of the Korean income tax laws to their particular situation as well as any tax consequences arising under the laws of any other taxation jurisdiction.

The taxation of non-resident individuals and non-Korean corporations ("non-residents") depends on whether they have a permanent establishment in Korea to which the relevant Korean source income is attributable. Non-residents without a permanent establishment in Korea are subject to tax in the manner described in the following paragraph. Except as described in the following paragraph, non-residents with permanent establishments in Korea are generally taxed like their Korean counterparts. As a general matter (and subject to certain exceptions), a non-resident may be determined to have a permanent establishment in Korea if it maintains a fixed place of business in Korea through which it engages in industrial or commercial activity or if it engages in industrial or commercial activity in Korea through an agent.

Payments of any interest (including original issue discount) on any Notes are currently exempt from taxation by virtue of the Korean Tax Exemption Limitation Law ("TELL"). Capital gains earned by nonresidents without a permanent establishment in Korea from the transfer of Notes to non-residents (other than to their permanent establishments in Korea) are not subject to Korean tax. In addition, capital gains earned by non-residents with permanent establishments in Korea from the transfer outside Korea of Notes to nonresidents are currently exempt from taxation by virtue of the TELL. If such exemptions are eliminated, it is possible that such interest payments and certain of such capital gains would become subject to Korean withholding tax. If interest payments become subject to Korean withholding taxes, the Bank would be obliged to pay certain additional amounts pursuant to and subject to the exceptions contained in Condition 6. Certain additional amounts may also be withheld due to a surtax imposed under Korean local tax law, in which case the Bank would also be obliged to pay certain additional amounts pursuant to and subject to the exceptions contained in Condition 6.

EU Savings Directive

On 3rd June, 2003, the European Council of Economics and Finance Ministers adopted a Directive on the taxation of savings income. Under the Directive, Member States will (if equivalent measures have been introduced by certain non-EU countries) be required, from 1st July, 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria will instead be required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

SUBSCRIPTION AND SALE

The Dealers have in an amended and restated Programme Agreement dated 2nd October, 2003 (as amended and/or supplemented from time to time, the "Programme Agreement") agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement for any particular purchase will extend to those matters stated under "Form of the Notes" and "Terms and Conditions of the Notes" above. In the Programme Agreement the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment of the Programme and the issue of the Notes.

United States

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Dealer has agreed and each other Purchaser will be required to agree that it will not offer, sell or deliver any Notes of any Series (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution, as determined by the Agent, of all Notes of the Tranche of which such Notes are a part issued prior to such determination, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issuance of Dual Currency Notes or Index Linked Notes shall be subject to such additional United States selling restrictions as the Issuer and the relevant Purchaser or Purchasers may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

United Kingdom

Each Dealer has represented and agreed and each other Purchaser will be required to represent and agree that:

- (a) in relation to Notes which have a maturity of one year or more and which are to be admitted to the Official List, it has not offered or sold and will not offer or sell any Notes to persons in the United Kingdom prior to admission of such Notes to listing in accordance with Part VI of the Financial Services and Markets Act 2000 (the "FSMA") except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended) or the FSMA;

- (b) in relation to Notes which have a maturity of one year or more and which are not to be admitted to the Official List, it has not offered or sold and, prior to the expiry of the period of six months from the issue date of such Notes, will not offer or sell any such Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);
- (c) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA would not, if the Issuer was not an authorised person, apply to the Issuer; and
- (d) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the "Securities and Exchange Law") and each Dealer has agreed and each other Purchaser will be required to agree that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Korea

Each Dealer has represented and agreed and each other Purchaser will be required to represent and agree that Notes will not be offered or sold directly or indirectly in Korea or to any resident of Korea except as otherwise permitted under applicable Korean laws and regulations.

Hong Kong

Each Dealer has represented and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent) or (ii) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of the laws of Hong Kong; and
- (ii) it has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue any advertisement, invitation or document relating to the Notes, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) and any rules made thereunder.

Singapore

Each Dealer has represented and agreed that the Notes may not be offered or sold or made the subject of an invitation for subscription or purchase and neither the Information Memorandum nor any other document or material in connection with the offer or sale or invitation for subscription or

purchase of any Notes may be circulated or distributed, whether directly or indirectly, to the public or any member of the public in Singapore other than (1) to an institutional investor or other person falling within Section 274 of the Securities and Futures Act, (2) to a sophisticated investor (as defined in Section 275 of the Securities and Futures Act) and in accordance with the conditions specified in Section 275 of the Securities and Futures Act or (3) otherwise than pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

General

Each Dealer has agreed and each other Purchaser will be required to agree that (to the best of its knowledge and belief) it will comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Information Memorandum and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any other Dealer shall have responsibility therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

GENERAL INFORMATION

1. Listing

The admission of the Listed Notes to the Official List of the UK Listing Authority and admission to trading on the London Stock Exchange will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List of the UK Listing Authority and to trading by the London Stock Exchange will be admitted separately as and when issued, subject only to the issue of the temporary global Note initially representing the Notes of such issue. The listing of the Programme is expected to be granted on or around 4th October, 2004.

In May 2004, The Council of Economics and Finance Ministers of the Member States of the European Commission (the "Council") reached political agreement on a draft directive on the harmonisation of transparency requirements with regard to information on issuers whose securities are admitted to trading on a regulated market in the European Union (the "Transparency Directive") as amended by the European Parliament in first reading. The Transparency Directive is expected to be published in the Official Journal of the European Commission on a date in autumn 2004, and from the date of entry into force of the Transparency Directive (which shall be the twentieth day following the date of its publication), the Member States have two years to implement the Transparency Directive into their respective national laws.

The application of the Transparency Directive to the Issuer is not presently clear. However, if the Transparency Directive is implemented, or any law implementing or complying with, or introduced in order to conform to, the Transparency Directive is introduced in a form which would require the Issuer to publish financial information either more regularly than it would otherwise be required to or according to accounting principles or standards that are materially different from the accounting principles generally accepted in Korea and the Issuer determines that maintaining the listing of the Notes would be unduly onerous, the Issuer may terminate such listing so long as it endeavours promptly to list the Notes on a stock exchange within or outside the European Union as it may agree with the relevant Dealer(s) or lead manager(s).

Notwithstanding the above, if the Issuer determines that the maintenance of the listing of any Notes has become unduly onerous for any other reason whatsoever, the Issuer may terminate such listing so long as it endeavours promptly to list the Notes on a stock exchange within or outside the European Union as it may agree with the relevant Dealer(s) or lead manager(s).

2. Significant or Material Change

Save as disclosed in the Information Memorandum, there has been no significant change in the financial or trading position of the Issuer or its subsidiaries taken as a whole since 31st December, 2003 and there has been no material adverse change in the financial position or prospects of the Issuer or its subsidiaries taken as a whole since 31st December, 2003.

3. Documents on display and available for inspection

Copies of the following documents may be inspected at the registered office of the Issuer and at the specified office of the Agent during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date hereof and throughout the life of the Programme:

- (i) the KDB Act, the Enforcement Decree and the By-Laws (in English);
- (ii) the audited financial statements of the Issuer (in English) for each of the financial years ended 31st December, 2002 and 2003;
- (iii) the most recently available financial statements of the Issuer and the most recently available unaudited interim financial statements (if any) of the Issuer (in English);
- (iv) the Programme Agreement, the Agency Agreement and the Deed of Covenant;

- (v) *this Information Memorandum*;
- (vi) any future prospectuses, offering circulars, information memorandum and supplementary Listing Particulars or other supplements (including Pricing Supplements save that a Pricing Supplement relating to an unlisted Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer, or the Agent, as the case may be, as to the identity of such holder) to this Information Memorandum Addendum and/or the Information Memorandum and the documents incorporated therein by reference; and
- (vii) in the case of a syndicated issue of listed Notes, the Subscription Agreement (or equivalent document).

4. Auditor

Mr. Suk-In Kang was appointed as the statutory auditor of the Issuer on 22nd January, 2001. He audited the financial statements of the Issuer for the financial year ended 31st December, 2001 without qualification in accordance with Korean laws and generally accepted accounting principles in Korea.

Mr. Gong-Jae Lee was appointed as the current statutory auditor of the Issuer on 20th April, 2002. He audited the financial statements of the Issuer for the financial years ended 31st December, 2002 and 2003 without qualification in accordance with Korean laws and generally accepted accounting principles in Korea. The business address of Mr. Gong-Jae Lee is 16-3, Yeouido-dong, Yeongdeungpo-gu, Seoul 150-973, Korea.

5. Authorisation

The Programme was authorised by the approval of the Governor of the Issuer given on 30th July, 1996.

6. Litigation

There are no nor have there been any legal or arbitration proceedings including any such proceedings which are pending or threatened of which the Issuer is aware which may have or have had during the 12 months prior to the date hereof a significant effect on the financial position of the Issuer and its subsidiaries taken as a whole.

7. Euroclear and Clearstream, Luxembourg

The Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems. The appropriate Common Codes for each issue allocated by Euroclear and Clearstream, Luxembourg will be contained in the relevant Pricing Supplement. Transactions will normally be effected for settlement not earlier than 3 days after the date of the transaction.

DEALERS

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**Credit Suisse First Boston
(Europe) Limited**
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United Kingdom

**Daiwa Securities SMBC
Europe Limited**
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United Kingdom

**Lehman Brothers
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United Kingdom

Nomura International plc
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United Kingdom

Mitsubishi Securities International plc
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United Kingdom

UBS Limited
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United Kingdom

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Seoul 150-973
Korea

AUTHORISED ADVISER

Lehman Brothers International (Europe)
25 Bank Street
London E14 5LE
United Kingdom

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The Korea Development Bank

*(a statutory juridical entity established under
The Korea Development Bank Act of 1953, as amended, in The Republic of Korea)*

**Euro Medium Term Note Programme
for the issue of Notes with a minimum maturity of 1 month**

INFORMATION MEMORANDUM

30th September, 2004

Arranger

LEHMAN BROTHERS

Dealers

BARCLAYS CAPITAL
CREDIT SUISSE FIRST BOSTON
JPMORGAN
MERRILL LYNCH INTERNATIONAL
NOMURA INTERNATIONAL

CITIGROUP
DAIWA SECURITIES SMBC EUROPE
LEHMAN BROTHERS
MIZUHO INTERNATIONAL PLC
MITSUBISHI SECURITIES INTERNATIONAL PLC
UBS INVESTMENT BANK