Supplemental Offering Circular (dated June 7, 2010)

The Export-Import Bank of Korea (incorporated in the Republic of Korea)

US$270,000,000 2.65% Fixed Rate Notes due 2013 (the "Notes")

The Notes will mature on December 23, 2013. Payment of interest on the Notes will be made semi-annually in arrear on June 23 and December 23 of each year (or if such date is not a Business Day (as later defined), then the immediate following Business Day), beginning on December 23, 2010. The denomination of each Note will be US$10,000.

The date on which the Notes are to be issued (the "Issue Date") is expected to be June 23, 2010.

Sales of Notes by the Managers may be made from the date of this Supplemental Offering Circular until June 22, 2010 or such earlier date on which the Arranger and the Joint Lead Managers jointly announce that the offering of the Notes has closed (the "Offering Period"). The Notes are being offered on a "first come, first served" basis and the Offering Period may end earlier, without prior notice, if all the Notes are sold before expiry of the scheduled Offering Period.

The purchase price (the "Purchase Price") of the Notes will be 100 per cent of their principal amount.

The Issuer has granted to the Managers a conditional right to purchase additional Notes in an aggregate principal amount of up to US$230,000,000, such that the total issuance amount of the Notes may be increased to US$500,000,000. Whether to approve the request is at the Issuer's sole discretion. For additional information, see "Subscription and Sale" on page 3.

The Notes are offered for sale by means of a public offering only in the Republic of China ("ROC"). For other selling restrictions, please refer to the section entitled "Subscription and Sale" in the Base Offering Circular (as defined below).

The Notes have not been and will not be registered under the United States Securities Act of 1933 (the "Securities Act") and are not subject to United States tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to United States persons.

Sole Arranger and Bookrunner
Deutsche Bank AG, Taipei Branch

Joint Lead Managers
Mega International Commercial Bank
Bank of Taiwan
Deutsche Bank AG, Taipei Branch

Co-Managers
Chang Hwa Commercial Bank
Taiwan Cooperative Bank
First Commercial Bank

(the Co-Managers and together with the Joint Lead Managers, each in its capacity as distributor as well as underwriter of the Notes, the "Managers")

The Notes, as to form and content, and all rights and obligations of the noteholders and the Issuer, shall be governed by English Law.

The place of jurisdiction for any action or other legal proceedings arising out of or in connection with the Notes shall be the English courts.

The Notes are expected to be rated by Fitch Rating Ltd. as A+ bonds.

This Supplemental Offering Circular is a supplement to the base offering circular dated June 7, 2010 ("Base Offering Circular") and shall be read and understood in conjunction with the Base Offering Circular (which contains the terms and conditions of the Notes (the "Terms and Conditions")). In the event of any discrepancy, the content of the Base Offering Circular shall always prevail. This Supplemental Offering Circular and the Base Offering Circular are hereby collectively referred to as the "Offering Circular".

A Chinese sales memorandum (the "Chinese Sales Memorandum") has been prepared in accordance with the GreTai Securities Market Rules Governing Management of Foreign-denominated International Bond and does not constitute part of the Offering Circular. Therefore, the Chinese Sales Memorandum cannot be deemed as the Offering Circular regulated by Article 32 of the ROC Securities and Exchange Act or Article 50 of the ROC Regulations Governing the Offering and Issuance of Securities by Foreign Securities Issuers. In the event of any discrepancy between the Chinese Sales Memorandum and the Offering Circular, the Offering Circular shall always prevail.

NOTICE

Application has been made by the Export-Import Bank of Korea (the "Issuer" or "KEXIM") to the Financial Supervisory Commission of the Republic of China (the "FSC") for the issue and offer of the Notes. The FSC has approved on May 13, 2010 (Ref. No.: Jin-Kuan-Chen-Fa-0990021848) the issue and offer of the Notes and has confirmed that the Notes are qualified as exempted securities. Application will be made by the Issuer to the GreTai Securities Market (the "GTSM") for the listing and trading of the Notes on the GTSM.

This supplemental Offering Circular issued on June 7, 2010 (the "Supplemental Offering Circular") is to supplement the base Offering Circular dated June 7, 2010 (the "Base Offering Circular") and shall be read and understood in conjunction with the Base Offering Circular (which contains the terms and conditions of the Notes (the "Terms and Conditions")). The Supplemental Offering Circular and the Base Offering Circular are hereby collectively referred to as the "Offering Circular".

The Issuer, having made all reasonable enquiries, confirms that the Offering Circular contains all information with regard to the Notes and the Issuer which is material in the context of the issue of the Notes, that the information contained in the Offering Circular is true and accurate in all material respects and is not misleading, and that there are no other facts or the omission of which makes the Offering Circular as a whole or any such information misleading in any material respect.

Approval granted by the FSC shall neither be taken as verification of the contents of the Offering Circular nor guarantee the value of the Notes.

Admission to the listing and trading of the Notes on the GTSM shall not be taken as an indication of the merits of the Issuer or the Notes.

No person is authorized, in connection with any offering made hereby, to give any information or to make any representation not contained in the Offering Circular; and, if given or made, any information or representation not contained herein must not be relied upon as having been authorized by the Issuer or any of the Managers. Neither the delivery of the Offering Circular nor any sale of any of the Notes shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof.

Neither the Offering Circular nor any other information supplied in connection with the Offering Circular or the Notes is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer or any of the Managers that any recipient of the Offering Circular or any other information supplied in connection with the Offering Circular or the Notes should purchase any of the Notes. Each potential investor should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither the Offering Circular nor any other information supplied in connection with the Offering Circular or the Notes constitutes an offer or an invitation by or on behalf of the Issuer or any of the Managers to any person to subscribe for or purchase any of the Notes.

In this Supplemental Offering Circular, all references herein to "U.S. Dollars", and "US$", are to United States dollars and all references to "New Taiwan Dollars", "NT Dollars", "NT dollars" and "NT$" are to New Taiwan Dollars.

The distribution of the Offering Circular and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession the Offering Circular come are required to inform themselves about and to observe any such restrictions.

In making an investment decision, prospective investors should consider all information provided in the Offering Circular and consult with their own professional advisers if they consider it necessary.

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SUMMARY OF THE TERMS AND CONDITIONS OF THE NOTES

The following summary of the Terms and Conditions of the Notes does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the detailed provisions of the Terms and Conditions of Notes as described in the Base Offering Circular, including the definitions of certain terms therein.

1. Issuer

The Export-Import Bank of Korea

2. Issue Date

June 23, 2010.

3. Issuance size

US$270,000,000. The Issuer reserves the right to accept over-subscriptions and to increase the total issuance size of the Notes up to US$500,000,000.

4. Form and denomination

Registered form. Denomination of each Note shall be US$10,000.

5. Status

Senior and unsecured.

6. Maturity Date

December 23, 2013.

7. Interest Rate

2.65% per cent per annum.

8. Method for Payment of Interest

Semi-annual interest payment. 30/360 day count basis.

9. Interest Payment Date(s)

Interest shall be payable semi-annually in arrear on June 23 and December 23 of each year (or if such date is not a Business Day, then the immediate following Business Day). The first payment of interest shall be made on December 23, 2010. The final payment of interest shall be made on the Maturity Date.

10. Method for repayment and the deadline for repayment

Redemption at 100 per cent in U.S. Dollars at Maturity.

11. Business Days

Taipei, New York, Seoul and Hong Kong.

12. Paying Agent

Deutsche Bank AG, Hong Kong Branch

13. Registrar

Deutsche Bank AG, Luxembourg Branch

14. Trustee

Mega International Commercial Bank, who will enter into a trust agreement with KEXIM. Please refer to page 6 of this Supplemental Offering Circular for major provisions of the trust agreement.

15. Listing

Application will be made to list the Notes on the GreTai Securities Market ("GTSM").

16. Method of underwriting

The Managers will subscribe for the Notes from the Issuer on a firm commitment basis. The Managers will place out the Notes to the investors on a negotiated basis.

17. Use of proceeds and estimated benefits

The net proceeds from this offering will be used for general corporate purposes of the Issuer.

18. Offering period and approach to be taken in case of under-subscription

From 9:00 a.m. (ROC time) on June 7, 2010 to 4:00 p.m. (ROC time) on June 22, 2010, or the time on such earlier date on which the Arranger and the Joint Lead Managers jointly announce that the offering of the Notes has been closed. The Managers will subscribe for the Notes from the Issuer on a firm commitment basis. The Managers will place out the Notes to the investors on a negotiated basis.

19. Governing law

The Notes shall be governed by, and construed in accordance with, the English law.

20. Place of jurisdiction

The place of jurisdiction for any action or other legal proceedings arising out of or in connection with the Notes shall be English courts.

SUBSCRIPTION AND SALE

The Issuer proposes to sell to the Managers, and each of the Managers proposes severally but not jointly agree to purchase the Notes in the amount of its commitment on a fully underwritten basis.

Subject to the restrictions on offers and sales of the Notes as set forth in the Base Offering Circular under "Subscription and Sale", the Managers propose to offer the Notes at the Purchase Price set forth on the cover page of this Supplemental Offering Circular. The Managers may retain the Notes for their own account.

The Issuer has granted to the Managers a conditional right to purchase additional Notes for an aggregate principal amount of up to US$230,000,000 (such that the total issuance amount may be up to US$500,000,000) from the date of this Supplemental Offering Circular to 3:00 p.m. (ROC time) on June 17, 2010. Whether to approve the Managers' request is at the Issuer’s sole discretion.

CREDIT RATING CERTIFICATE

Please refer to Appendix A for the credit rating certificate issued by Fitch Rating Ltd. with respect to the rating on the Issuer. The Notes are expected to be assigned a rating of A+ by Fitch Rating Ltd.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the rating agency.

The Issuer accepts responsibility for accurately reproducing the above credit rating certificate but accepts no further or other responsibility in respect of such information.

SUMMARY OF OTHER OUTSTANDING BONDS

As of December 31, 2009, the Issuer had outstanding bonds in an aggregate amount of US$25,752,390,410.

Trust Agreement

The trust agreement (the "Trust Agreement") in relation to the Notes will be entered into by and between KEXIM as Issuer, and Mega International Commercial Bank as the trustee (the "Trustee"). The Trust Agreement provides for the appointment of the trustee in relation to the Notes, for the purpose of, inter alia, exercise of rights on behalf of the noteholders.

The major provisions of the Trust Agreement include, among others, the following:

(1) Proceedings, action and indemnification

a. The Trustee shall not be bound to take any proceedings mentioned in Condition 10 of the Terms and Conditions of the Notes or any other action in relation to these presents unless respectively directed or requested to do so (a) by an Extraordinary Resolution or (b) in writing by the holders of at least one-quarter in aggregate amount of the Notes then outstanding and in either case then only if it shall be indemnified to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

b. Only the Trustee may enforce the provisions of these presents. No Noteholder shall be entitled to proceed directly against the Issuer to enforce the performance of any of the provisions of these presents unless the Trustee having become bound as aforesaid to take proceedings fails to do so within a reasonable period and such failure is continuing.

(2) Application of moneys

All moneys received by the Trustee under these presents from the Issuer (including any moneys which represent principal or interest in respect of Notes which have become void under Condition 9 of the Terms and Conditions of the Notes) shall be held by the Trustee upon trust to apply them (subject to Clause 11 of the Trust Agreement):

a. FIRST in payment or satisfaction of all amounts then due and unpaid under Clauses 14 and/or 15(j) of the Trust Agreement to the Trustee and/or any Appointee;

b. SECONDLY in or towards payment pari passu and rateably of all principal and interest then due and unpaid in respect of the Notes; and

c. THIRDLY in payment of the balance (if any) to the Issuer (without prejudice to, or liability in respect of, any question as to how such payment to the Issuer shall be dealt with as between the Issuer and any other person).

Without prejudice to this Clause 9 of the Trust Agreement, if the Trustee holds any moneys which represent principal or interest in respect of Notes issued by the Issuer which have become void or in respect of which claims have been prescribed under Condition 9 of the Terms and Conditions of the Notes, the Trustee will hold such moneys on the above trusts.

AGENCY AGREEMENT

The agency agreement (the "Agency Agreement") will be entered into by and amongst, inter alia, KEXIM as Issuer, Deutsche Bank AG, Hong Kong Branch as the paying agent, and Deutsche Bank AG, Luxembourg Branch as Registrar. The Agency Agreement provides for the appointment of the paying agent, the registrar, the transfer agent in relation to the Notes, for the purpose of, inter alia, paying sums due on the Notes and arranging on behalf of the Issuer for notice to be communicated to noteholders.

TRADING RESTRICTIONS

KEXIM is a bank whose shares are directly and indirectly 100% owned by the government of the Republic of Korea ("Korea") and duly incorporated and validly existing under the laws of Korea, and the Notes will be listed on the GTSM.

There is no specific transaction restriction under Korean law on the trading of the Notes by persons resident or domiciled outside Korea. The Notes will be traded pursuant to the applicable rules of the GTSM and/or the Taiwan Depositary and Clearing Corporation ("TDCC").

For more information on selling restrictions, please refer to the section "Subscription and Sale" in the Base Offering Circular.

TAXATION

ROC Taxation

The following summary of certain taxation provisions under ROC law is based on current law and practice. It does not purport to be comprehensive and does not constitute legal or tax advice. Investors (particularly those subject to special tax rules, such as banks, dealers, insurance companies and tax-exempt entities) should consult with their own tax advisers regarding the tax consequences of an investment in the Notes.

A. Interest on the Notes

The Interest earned by the Taiwan individual investors from the Notes does not constitute the said investors' Taiwan-source income and, therefore, will not be subject to Taiwan income tax. Since corporate income tax is levied on the worldwide income of a resident company, the interest of the Notes is subject to corporate income tax. The bond interest will be paid by the offshore issuer. As the offshore issuer is not a tax withholder in Taiwan, the withholding tax will not be an issue.

B. Capital Gain from the Sale of the Notes

Since the Notes will be issued in accordance with Taiwan related securities regulations and listed on the GreTai Securities Market, the Notes meet the definition of securities prescribed in the Securities Transaction Tax Act. According to Article 4-1 of the Income Tax Act, income tax has being ceased levying on the capital gain derived from the sale of the Notes.

C. Securities Transaction Tax ("STT")

Since the Notes are regarded as Taiwan corporate bonds, the seller of the Notes is subject to 0.1% STT on the transaction price, pursuant to Article 2 of the Securities Transaction Tax Act ("STTA"). However, based on Article 2-1 of the STTA, STT is ceased levying on the sale of corporate bonds and financial debentures within the seven years from January 1, 2010 to December 31, 2016.

After December 31, 2016, upon the expiry of Article 2-1 of the STTA, if there is no STT exemption regulation announced then, the seller of the Notes will be subject to 0.1% STT on the transaction price.

D. Alternative Minimum Tax ("AMT")

1. For Taiwan Individual Investors

i. Interest

The individual investors' interest income from the Notes is not Taiwan-source income. The individual investors shall include such overseas income in their AMT taxable income from January 1, 2010 and, therefore, calculate the AMT at 20%. However, if total overseas income is less than NTD 1 million, there is no need to include such overseas income in AMT base.

ii. Capital Gain

The Taiwan individual investors do not need to include the capital gain in their AMT taxable income as the Notes are not the securities listed in Article 12, Item 1, Subitem 3 of the Alternative Minimum Tax Act.

2. For Taiwan Corporate Investors

i. Interest

The interest income is subject to corporate income tax and, therefore, will not be further added in the AMT base.

ii. Capital Gain

Since income tax is ceased levying on the capital gain realized upon the sale or disposal of the Notes, Taiwan corporate investors shall add the capital gain to AMT base and calculate the AMT at 10%.

Korean Taxation

Below is a summary of taxation under Korea law. For detailed information with respect to taxation under Korea law, please see "Taxation" in the Base Offering Circular.

Assuming that the Noteholders are non-resident individuals and non-Korean corporations ("Non-Residents") without a Permanent Establishment in Korea, the Notes will be subject to the following tax:

A. Interests

The Special Tax Treatment Control Law (the "STTCL") exempts interest on notes denominated in a foreign currency (excluding payments to a Korean corporation or resident) from Korean income tax or corporation tax.

B. Capital Gains

Korean tax laws currently exclude from Korean taxation gains made by a Non-Resident without a permanent establishment in Korea from the sale of notes to Non-Residents (unless the sale is to the Non-Resident's Permanent Establishment in Korea). In addition, capital gains earned by Non-Residents from the transfer of notes taking place outside of Korea are currently exempt from taxation by virtue of the STTCL provided that the offering of the notes is deemed to be an overseas issuance under the STTCL.

The offering of the Notes are deemed an overseas issuance under the STTCL.

C. Gift Tax/Inherence Tax

Under Korean inheritance and gift tax laws, notes issued by Korean corporations are deemed located in Korea irrespective of where they are physically located or by whom they are owned, and Korean inheritance tax or gift tax is imposed upon such notes. The taxes are imposed if the value of the relevant property is above a certain limit and the tax amount varies from the rate of 10 to 50 per cent. according to the value of the relevant property and the identity of the persons involved. At present, Korea has not entered into any tax treaties regarding its inheritance or gift taxes.

D. Securities Transfer Tax

No securities transaction tax will be imposed on the transfer of the Notes.

GENERAL INFORMATION

How to Purchase Notes

The Managers will subscribe for the Notes from the Issuer on the Issue Date.

The Managers will also act as distributors for the sale of Notes to prospective investors.

Offering Period

The Notes are being offered to prospective investors during the period from 9:00 a.m. (ROC time) on June 7, 2010 to 4:00 p.m. (ROC time) on June 22, 2010, or the time on such earlier date on which the Arranger and the Joint Lead Managers jointly announce that the offering of the Notes has been closed. The Arranger or the Joint Lead Managers do not undertake to give any advance notice of the closing of the Offering Period.

The Notes are being offered on a "first come, first served" basis and the Offering Period may be closed early, without prior notice, if the Arranger and the Joint Lead Managers decide that all the available Notes are sold before the scheduled end of the Offering Period.

If investors wish to purchase any Notes, they must contact one of the Managers. Notes may not be purchased from the Issuer or any party other than the Managers.

Sales Procedure

Investors wishing to purchase Notes will be required to complete an application form which can be obtained from the Managers, and return it to a Manager, together with payment for the Notes, prior to the close of the Offering Period.

Purchases are subject to the terms of this Supplemental Offering Circular and the provisions of the application form.

The form and content of the application form are not prescribed by the Issuer and may differ from one Manager to another to accommodate the relevant Manager’s application and payment procedure and other applicable operating procedures. The original of any application form sent by facsimile should be forwarded to the relevant Manager by post. Neither the Issuer nor any of the Managers shall be responsible to a potential investor for any loss resulting from non-receipt of any application form sent by facsimile or by post.

Minimum Investment

The minimum investment in the Notes is US$10,000.

Payment Procedure

The Notes are denominated in U.S. dollars. Payments must be made to a Manager in U.S. dollars. Payment of purchase monies must be received by the Managers in cleared funds (after conversion, if necessary) prior to 3:30p.m. (ROC time) on the last day of the Offering Period. For avoidance of any delay of settlement, payment of purchase monies in form of cheque(s) is not recommended. Arrangements for the payment of purchase monies by an applicant to the relevant Manager will be subject to the normal operating procedures of the Manager.

Save as described in the previous paragraph, the purchase price for the Notes to be purchased by a prospective investor will be payable to the Manager in the manner and/or to the account as separately designated by the Manager in accordance with its normal operating procedures. Each Manager will be required to provide the prospective investor with details relating to the relevant operating procedures for payment and/or refund of the purchase price of the Notes. Prospective investors will only be required to pay for the Notes which have been allocated to them.

Confirmations Required to be Given on Application for Notes

By giving application instructions to any Manager for the purchase of any Notes, each investor will be deemed to confirm to the Manager and the Issuer that, among other things, such investor:

- Undertakes and agrees to accept the Notes applied for, or any lesser number (if at all) allotted to him;
- Undertakes and agrees to pay in full the purchase price of the Notes allotted to him;
- Agrees that if he is not allotted any Notes, or if his application is successful only in part or if the Notes are not issued for any reason, the whole or an appropriate portion of the application amount will be returned to him without interest and at his own risk;
- Authorizes the Manager to which he gives his application instructions to credit any Notes allotted to him to his investment account and understands that no certificates of title will be available for his Notes and his interest in the Notes will be in book-entry form only;
- Has received, read and understood the English Offering Circular (which comprises the Supplemental Offering Circular and the Base Offering Circular (which contains the Terms and Conditions)), and the Chinese Sales Memorandum;
- Acknowledges that the governing law of the Notes is English law, and that the place of jurisdiction is English court;
- Understands that he is buying the Notes from the Manager who is selling to him as principal and that no contractual relationship with respect to the purchase contract for the Notes will arise between such investor and the Issuer at the time of application;
- Understands and accepts that neither the Issuer nor any of the Managers accepts any responsibility for the provision of bank services and custody services by the Managers or for any

consequences of, or arising from, the use of the bank account and investment account or custody services of any of the Managers;

- Agrees that none of the Issuer or the Managers, or their respective directors, officers, agents and nominees will be liable to any persons in any way for any loss which may be suffered as a result of the sale by the Managers in accordance with the terms and conditions of the operation of his bank account or investment account with them;
- Confirms that he is not located within the United States and is not a U.S. Person within the meaning of Regulation S under the Securities Act (which includes any person residing in the United States and any partnership or corporation organized or incorporated under the laws of the United States); and
- Understands the nature of the investment and the risks involved.

Each investor will be required to confirm that he has read and understood these confirmations when he applies to a Manager to purchase Notes.

Settlement Procedure

In order to purchase the Notes, except where an investor has an account with Euroclear Bank S.A./N.V. ("Euroclear") or Clearstream Banking Luxembourg SA ("CBL") and intends to settle the notes through such account with Euroclear or CBL, an investor must have a securities book-entry account with the local securities broker and a foreign currency deposit account with a local bank, and settle the Notes through the account of TDCC with Euroclear or CBL.

Initial subscription of the Notes will be settled directly through Euroclear or CBL or through the account of TDCC with Euroclear or CBL. TDCC will forthwith allocate the respective Notes position to the securities book-entry account designated by each initial investor. Due to time difference, allocation of the Notes to TDCC accounts is expected to be on the second Taiwanese Business Day after the Issue Date. The Notes will be traded and settled pursuant to the applicable rules and operating procedure of TDCC and GTSM as domestic bonds.

An investor having its own account with Euroclear or CBL may settle the Notes through such account with Euroclear or CBL (without applying with TDCC to transfer the Notes to the TDCC account), or apply with TDCC, by filing in prescribed form, to transfer the Notes in its own account with Euroclear or CBL to the TDCC account with Euroclear or CBL for trading in the domestic market or vice versa for trading in the overseas market.

Distributions of principal and/or interest for the Notes will be made by the payment services banks whose systems are connected to TDCC to the foreign currency deposit account of the holder. Such payment is expected to be made on the second Business Day following TDCC's receipt of such payment (due to time difference, the payment is expected to be received by TDCC one Business Day after the distribution date). However, when the investors will actually receive such distributions may vary depending upon the daily operations of the local banks with which the holder has the foreign currency deposit account.

An investor with a foreign currency deposit account at any of such payment services banks are exempted from payment of the handling fees for the outward remittance of foreign currencies. An investor who does not have a foreign currency deposit account at any of such payment services banks will need to pay the handling fees for the outward remittance of foreign currencies to Mega International Commercial Bank. An investor having its own account with Euroclear or CBL may receive such payment through its own account with Euroclear or CBL.

Investors shall make payments of foreign currency securities depository fees incurred by the TDCC and Euroclear or CBL each year; the amounts are NT$0.009% and Euro 0.014%, respectively, (equivalent to average trust fee charged by most local banks). If the amount invested is US$10,000, then the yearly average will be about NT$80. These expenses will be deducted from the NT dollars settlement account by the securities brokerage firm that is entrusted with the securities.

FINANCIAL STATEMENTS

The audited non-consolidated annual financial statements as of and for the year ended 31 December 2009 and 2008 are set out on pages F-1 to F-53 of the Base Offering Circular.

South Korea
Credit Update

Export-Import Bank of Korea (KEXIM)

Ratings

	Current Ratings
Foreign Currency	
Long-Term IDR	A+
Short-Term IDR	F1
Local Currency	
Long-Term IDR	AA
Support Rating	1
Support Rating Floor	A+
Sovereign Risk	
Foreign-Currency Long-Term IDR	A+
Local-Currency Long-Term IDR	AA

Outlooks

Foreign-Currency Long-Term IDR	Stable
Local-Currency Long-Term IDR	Stable
Sovereign Foreign-Currency Long-Term IDR	Stable
Sovereign Local-Currency Long-Term IDR	Stable

Financial Data

Export-Import Bank of Korea (KEXIM)

	30 Jun 09	31 Dec 08
Total assets (USDm)	32,142.4	28,568.4
Total assets (KRWbn)	41,364.0	35,981.9
Total equity (KRWbn)	6,482.0	5,090.4
Net income (KRWbn)	68.9	94.0
ROAA (%)	0.36	0.32
ROAE (%)	2.40	1.87
Capital adequacy (%)*	10.56	8.70
Tier I (%)*	9.10	7.35

* Basel II standard approach

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Rating Rationale

- The ratings of Export-Import Bank of Korea (KEXIM) are aligned with those of South Korea (Korea), reflecting its quasi-sovereign status; the Korean government is legally obliged to cover KEXIM's losses if its capital reserve funds cannot cover them, thereby effectively guaranteeing its solvency. KEXIM is a policy bank providing finance and guarantee facilities to Korea's importers and exporters and their overseas customers, without seeking to maximise profits. Unlike Korea's other policy banks, there are no stated plans to privatise KEXIM.
- Recently, KEXIM's profitability has declined substantially, with its ROAA falling to 0.36% in H109 (annualised) and 0.32% in 2008 from 0.92% in 2007. This was due to higher borrowing and credit costs since the collapse of Lehman Brothers in September 2008. While margins should improve with borrowing costs now easing, there is still a risk of higher credit costs given the difficult global economic environment and significant bias in the bank's loan and guarantee books towards corporates (with its top-30 exposures accounting for 49% of its total exposures) including USD496m (equal to 9% of KEXIM's equity) to CMA CGM, a French shipping company which is facing particular financial difficulties.
- KEXIM's growth has been strong recently, with loans growing by 145% to KRW37trn over the 2.5 years to mid-2009 and guarantees growing 117% to KRW48trn. Initially, this was due to strong demand for major Korean import/exports in shipping, industrial plants, and commodities on which KEXIM focuses (at mid-2009, 57% of KEXIM's loans and guarantees were to the shipping sector, 17% to industrial plants, and 4% to natural resources). From H208, however, it was more due to the depreciation of the KRW (with much of KEXIM's facilities denominated in foreign currency) as well as KEXIM's efforts to support Korean companies (amidst tighter system-wide liquidity) as encouraged by the government and in line with KEXIM's policy role. The KRW has since stabilised and with improving recent economic growth data, requirements for the bank to assist Korean companies may now also begin to ease.
- Fitch notes that KEXIM's NPLs were very low at just 0.45% of its loans and guarantees at mid-2009. Its loan loss reserves were significant at 392% of total NPLs — somewhat mitigating the risk of higher credit costs. Also, despite the substantially expanded loans and guarantees in recent years, KEXIM's capitalisation was good with a Tier I and total capital adequacy ratio of 9.1% and 10.6% respectively, thanks to the government's ongoing capital injections (KRW650bn in H208 and KRW1,050bn in H109) to cover its strong growth.

Support

- The government's effective guarantee of KEXIM is likely to remain unchanged, given the bank's policy role.

Key Rating Drivers

- Given its quasi-sovereign status, KEXIM's ratings match those of the sovereign.

Profile

Established in 1976 under the KEXIM Act, KEXIM is wholly owned by the government, 73.7% directly and 26.3% indirectly through Bank of Korea (23.2%) and Korea Development Bank (3.1%).

EXPORT-IMPORT BANK OF KOREA (KEXIM)
Income Statement

	30 Jun 2009				31 Dec 2008		31 Dec 2007		31 Dec 2006		31 Dec 2005	
	6 Months - Interim	6 Months - Interim	As % of Earning Assets	Average	Year End	As % of Earning Assets	Year End	As % of Earning Assets	Year End	As % of Earning Assets	Year End	As % of Earning Assets
	USDm	KRWbn		KRWbn	KRWbn		KRWbn		KRWbn		KRWbn	
	Original	Original	Original	Original	Partial	Partial	Original	Original	Original	Original	Original	Original
Income Statement												
1. Interest Income on Loans	575.3	740.4	3.95	1,065.3	1,390.2	4.78	1,033.9	5.24	736.1	4.69	488.8	3.72
2. Other Interest Income	6.9	8.9	0.05	13.1	17.2	0.06	8.1	0.04	5.5	0.04	3.9	0.03
3. Dividend Income	7.1	9.2	0.05	25.1	41.0	0.14	52.2	0.26	9.0	0.06	6.4	0.05
4. Gross Interest and Dividend Income	**589.4**	**758.5**	**4.05**	**1,103.5**	**1,448.4**	**4.98**	**1,094.2**	**5.55**	**750.6**	**4.78**	**499.1**	**3.80**
5. Interest Expense on Customer Deposits	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Preferred Dividends Paid & Declared	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Other Interest Expense	543.9	700.0	3.74	903.5	1,106.9	3.81	803.8	4.07	488.7	3.11	392.3	2.99
8. Total Interest Expense	**543.9**	**700.0**	**3.74**	**903.5**	**1,106.9**	**3.81**	**803.8**	**4.07**	**488.7**	**3.11**	**392.3**	**2.99**
9. Net Interest Income	**45.5**	**58.5**	**0.31**	**200.0**	**341.5**	**1.17**	**290.4**	**1.47**	**261.9**	**1.67**	**106.8**	**0.81**
10. Net Gains (Losses) on Trading and Derivatives	149.7	192.6	1.03	-487.1	-1,166.7	-4.01	480.1	2.43	14.3	0.09	-57.9	-0.44
11. Net Gains (Losses) on Other Securities	11.4	14.7	0.08	14.1	13.5	0.05	73.9	0.37	187.6	1.20	264.3	2.01
12. Net Gains (Losses) on Assets at FV through Income Statement	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Net Insurance Income	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
14. Net Fees and Commissions	99.0	127.4	0.68	154.9	182.4	0.63	142.4	0.72	132.5	0.84	144.0	1.10
15. Other Operating Income	-62.8	-80.8	-0.43	513.8	1,108.4	3.81	-511.8	-2.59	-87.0	-0.55	80.5	0.61
16. Total Non-Interest Operating Income	**197.3**	**253.9**	**1.36**	**195.8**	**137.6**	**0.47**	**184.6**	**0.94**	**247.4**	**1.58**	**430.9**	**3.28**
17. Personnel Expenses	37.8	48.7	0.26	78.7	108.6	0.37	95.3	0.48	91.4	0.58	86.1	0.66
18. Other Operating Expenses	9.0	11.6	0.06	17.1	22.5	0.08	27.1	0.14	14.9	0.09	41.2	0.31
19. Total Non-Interest Expenses	**46.9**	**60.3**	**0.32**	**95.7**	**131.1**	**0.45**	**122.4**	**0.62**	**106.3**	**0.68**	**127.3**	**0.97**
20. Equity-accounted Profit/ Loss - Operating	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
21. Pre-Impairment Operating Profit	**195.9**	**252.1**	**1.35**	**300.1**	**348.0**	**1.20**	**352.6**	**1.79**	**403.0**	**2.57**	**410.4**	**3.12**
22. Loan Impairment Charge	124.4	160.1	0.85	156.3	152.5	0.52	103.5	0.52	168.4	1.07	129.0	0.98
23. Other Credit Impairment Charges	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
24. Operating Profit	**71.5**	**92.0**	**0.49**	**143.8**	**195.5**	**0.67**	**249.1**	**1.26**	**234.6**	**1.49**	**281.4**	**2.14**
25. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
26. Non-recurring Income	n.a.	n.a.	-	n.a.	0.0	0.00	1.5	0.01	0.7	0.00	26.0	0.20
27. Non-recurring Expense	n.a.	n.a.	-	n.a.	0.0	0.00	2.1	0.01	3.7	0.02	1.1	0.01
28. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
29. Other Non-operating Income and Expenses	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
30. Pre-tax Profit	**71.5**	**92.0**	**0.49**	**143.8**	**195.5**	**0.67**	**248.5**	**1.26**	**231.6**	**1.48**	**306.3**	**2.33**
31. Tax expense	18.0	23.1	0.12	62.3	101.5	0.35	64.3	0.33	63.3	0.40	81.8	0.62
32. Net Income	**53.5**	**68.9**	**0.37**	**81.5**	**94.0**	**0.32**	**184.3**	**0.93**	**168.3**	**1.07**	**224.5**	**1.71**
33. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
34. Change in Value of AFS Investments	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
35. Currency Translation Differences	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
36. Remaining OCI Gains/(losses)	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
37. Fitch Comprehensive Income	**53.5**	**68.9**	**0.37**	**81.5**	**94.0**	**0.32**	**184.3**	**0.93**	**168.3**	**1.07**	**224.5**	**1.71**
38. Memo: Profit Allocation to Non-controlling Interests	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
39. Memo: Net Income after Allocation to Non-controlling Interests	53.5	68.9	0.37	81.5	94.0	0.32	184.3	0.93	168.3	1.07	224.5	1.71
40. Memo: Common Dividends Paid & Declared in the Period	0.0	0.0	0.00	12.3	24.6	0.08	24.6	0.12	16.8	0.11	13.8	0.11
Exchange Rate	USD1 = KRW 1286.9000				USD1 = KRW 1259.5000		USD1 = KRW 936.1000		USD1 = KRW 929.8000		USD1 = KRW 1011.6000	

EXPORT-IMPORT BANK OF KOREA (KEXIM)
Assets & Off-Balance Sheet Items

	30 Jun 2009				31 Dec 2008		31 Dec 2007		31 Dec 2006		31 Dec 2005	
	6 Months - Interim USDm Original	6 Months - Interim KRWbn Original	As % of Assets Original	Average KRWbn Original	Year End KRWbn Partial	As % of Assets Partial	Year End KRWbn Original	As % of Assets Original	Year End KRWbn Original	As % of Assets Original	Year End KRWbn Original	As % of Assets Original
A. Loans												
1. Residential Mortgage Loans	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other Consumer/ Retail Loans	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Corporate & Commercial Loans	28,892.3	37,181.5	89.89	35,016.8	32,852.0	91.30	20,790.8	87.95	15,042.2	86.21	12,181.4	80.37
4. Other Loans	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Less: Reserves for Impaired Loans/ NPLs	840.5	1,081.7	2.62	1,024.3	966.9	2.69	691.5	2.93	643.4	3.69	570.2	3.76
6. Total Loans Net of Reserves	**28,051.8**	**36,099.8**	**87.27**	**33,992.5**	**31,885.1**	**88.61**	**20,099.3**	**85.02**	**14,398.8**	**82.52**	**11,611.2**	**76.61**
7. Memo: Gross Loans	28,892.3	37,181.5	89.89	35,016.8	32,852.0	91.30	20,790.8	87.95	15,042.2	86.21	12,181.4	80.37
8. Memo: Impaired Loans included above	229.1	294.8	0.71	242.7	190.5	0.53	73.8	0.31	49.4	0.28	39.9	0.26
9. Memo: Loans at Fair Value included above	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
B. Other Earning Assets												
1. Loans and Advances to Banks	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Trading Securities	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Derivatives	519.9	669.1	1.62	648.7	628.2	1.75	404.1	1.71	55.7	0.32	58.1	0.38
4. Available for Sale Securities	2,438.1	3,137.6	7.59	2,715.4	2,293.1	6.37	2,440.5	10.32	2,457.0	14.08	3,194.0	21.07
5. Held to Maturity Securities	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. At-equity Investments	96.0	123.5	0.30	113.4	103.3	0.29	94.2	0.40	100.9	0.58	20.9	0.14
7. Other Securities	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Total Securities	**3,054.0**	**3,930.2**	**9.50**	**3,477.4**	**3,024.6**	**8.41**	**2,938.8**	**12.43**	**2,613.6**	**14.98**	**3,273.0**	**21.60**
9. Memo: Government Securities included Above	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Investments in Property	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Insurance Assets	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Other Earning Assets	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Total Earning Assets	**31,105.8**	**40,030.0**	**96.77**	**37,469.9**	**34,909.7**	**97.02**	**23,038.1**	**97.46**	**17,012.4**	**97.50**	**14,884.2**	**98.21**
C. Non-Earning Assets												
1. Cash and Due From Banks	493.9	635.6	1.54	433.7	231.7	0.64	109.4	0.46	134.5	0.77	44.0	0.29
2. Foreclosed Real Estate	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Fixed Assets	27.4	35.3	0.09	35.7	36.1	0.10	36.9	0.16	39.0	0.22	40.6	0.27
4. Goodwill	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Other Intangibles	1.9	2.4	0.01	2.2	1.9	0.01	3.8	0.02	4.4	0.03	4.7	0.03
6. Current Tax Assets	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Deferred Tax Assets	98.9	127.3	0.31	167.2	207.0	0.58	n.a.	-	n.a.	-	n.a.	-
8. Discontinued Operations	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Other Assets	414.5	533.4	1.29	564.5	595.5	1.65	451.2	1.91	258.2	1.48	182.3	1.20
10. Total Assets	**32,142.4**	**41,364.0**	**100.00**	**38,673.0**	**35,981.9**	**100.00**	**23,639.4**	**100.00**	**17,448.5**	**100.00**	**15,155.8**	**100.00**
D. Off-Balance Sheet Items												
1. Managed Securitized Assets Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Liquidity Lines to SPEs	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Guarantees	37,670.8	48,478.5	117.20	48,556.8	48,635.0	135.17	32,004.4	135.39	22,313.6	127.88	20,115.5	132.72
4. Acceptances Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Committed Credit Lines	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Contingent Liabilities	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Total Business Volume	**69,813.1**	**89,842.5**	**217.20**	**87,229.7**	**84,616.9**	**235.17**	**55,643.8**	**235.39**	**39,762.1**	**227.88**	**35,271.3**	**232.72**
8. Memo: Total Weighted Risks	**n.a.**	**n.a.**	**-**	**n.a.**	**n.a.**	**-**	**n.a.**	**-**	**n.a.**	**-**	**n.a.**	**-**
Exchange Rate		USD1 = KRW 1286.9000			USD1 = KRW 1259.500(		USD1 = KRW 936.1000		USD1 = KRW 929.8000		USD1 = KRW 1011.6000	

EXPORT-IMPORT BANK OF KOREA (KEXIM)
Liabilities and Equity

	30 Jun 2009				31 Dec 2008		31 Dec 2007		31 Dec 2006		31 Dec 2005	
	6 Months - Interim USDm Original	6 Months - Interim KRWbn Original	As % of Assets Original	Average KRWbn Original	Year End KRWbn Partial	As % of Assets Partial	Year End KRWbn Original	As % of Assets Original	Year End KRWbn Original	As % of Assets Original	Year End KRWbn Original	As % of Assets Original
E. Interest-Bearing Liabilities												
1. Customer Deposits - Current	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Customer Deposits - Savings	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Customer Deposits - Term	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Total Customer Deposits	**n.a.**	**n.a.**	**-**	**n.a.**	**n.a.**	**-**	**n.a.**	**-**	**n.a.**	**-**	**n.a.**	**-**
5. Deposits from Banks	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Deposits and Short-term Borrowings	11,204.9	14,419.6	34.86	13,686.3	12,953.0	36.00	5,261.5	22.26	5,421.3	31.07	3,720.7	24.55
7. Total Deposits, Money Market and Short-term Funding	**11,204.9**	**14,419.6**	**34.86**	**13,686.3**	**12,953.0**	**36.00**	**5,261.5**	**22.26**	**5,421.3**	**31.07**	**3,720.7**	**24.55**
8. Long-term Borrowing	14,057.2	18,090.2	43.73	16,454.1	14,817.9	41.18	12,150.7	51.40	6,377.4	36.55	5,501.1	36.30
9. Subordinated Borrowing	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Other Funding	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Total Long Term Funding	**14,057.2**	**18,090.2**	**43.73**	**16,454.1**	**14,817.9**	**41.18**	**12,150.7**	**51.40**	**6,377.4**	**36.55**	**5,501.1**	**36.30**
12. Derivatives	607.5	781.8	1.89	1,020.4	1,259.1	3.50	100.6	0.43	87.5	0.50	137.7	0.91
13. Trading Liabilities	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
14. Total Interest Bearing Liabilities	**25,869.6**	**33,291.6**	**80.48**	**31,160.8**	**29,030.0**	**80.68**	**17,512.8**	**74.08**	**11,886.2**	**68.12**	**9,359.5**	**61.76**
F. Non-Interest Bearing Liabilities												
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Credit impairment reserves	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	23.5	30.2	0.07	30.5	30.9	0.09	30.1	0.13	27.5	0.16	23.0	0.15
4. Current Tax Liabilities	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Deferred Tax Liabilities	n.a.	n.a.	-	n.a.	0.0	0.00	84.7	0.36	77.3	0.44	157.6	1.04
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Discontinued Operations	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Insurance Liabilities	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Other Non-interest Bearing Liabilities	1,212.4	1,560.2	3.77	1,695.4	1,830.6	5.09	1,076.3	4.55	697.5	4.00	737.3	4.86
10. Total Liabilities	**27,105.4**	**34,882.0**	**84.33**	**32,886.8**	**30,891.5**	**85.85**	**18,703.9**	**79.12**	**12,688.5**	**72.72**	**10,277.4**	**67.81**
G. Hybrid Capital												
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
H. Equity												
1. Common Equity	5,036.9	6,482.0	15.67	5,786.2	5,090.4	14.15	4,935.5	20.88	4,760.0	27.28	4,878.4	32.19
2. Non-controlling Interest	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Securities Revaluation Reserves	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Accumulated Other Comprehensive Income	n.a.	n.a.	-	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Total Equity	**5,036.9**	**6,482.0**	**15.67**	**5,786.2**	**5,090.4**	**14.15**	**4,935.5**	**20.88**	**4,760.0**	**27.28**	**4,878.4**	**32.19**
6. Total Liabilities and Equity	**32,142.4**	**41,364.0**	**100.00**	**38,673.0**	**35,981.9**	**100.00**	**23,639.4**	**100.00**	**17,448.5**	**100.00**	**15,155.8**	**100.00**
7. Memo: Fitch Core Capital	5,036.9	6,482.0	15.67	5,786.2	5,090.4	14.15	4,935.5	20.88	4,760.0	27.28	4,878.4	32.19
8. Memo: Fitch Eligible Capital	5,036.9	6,482.0	15.67	5,786.2	5,090.4	14.15	4,935.5	20.88	4,760.0	27.28	4,878.4	32.19
Exchange Rate	USD1 = KRW 1286.9000				USD1 = KRW 1259.5000		USD1 = KRW 936.1000		USD1 = KRW 929.8000		USD1 = KRW 1011.6000	

EXPORT-IMPORT BANK OF KOREA (KEXIM)
Summary Analytics

	30 Jun 2009	31 Dec 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005
	6 Months - Interim	Year End	Year End	Year End	Year End
	KRWbn	KRWbn	KRWbn	KRWbn	KRWbn
	Original	Partial	Original	Original	Original
A. Interest Ratios					
1. Interest Income on Loans/ Average Net Loans	4.26	5.41	6.05	5.52	4.56
2. Interest Expense on Customer Deposits/ Average Customer Deposits	n.a.	n.a.	n.a.	n.a.	n.a.
3. Interest Income/ Average Earning Assets	4.08	4.98	5.55	4.78	3.80
4. Interest Expense/ Average Interest-bearing Liabilities	4.53	4.69	5.55	4.64	4.54
5. Net Interest Revenue/ Average Earning Assets	0.31	1.17	1.47	1.67	0.81
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	-0.55	0.65	0.95	0.60	-0.17
B. Other Operating Profitability Ratios					
1. Non-interest Income/ Gross Revenues	81.27	28.72	38.86	48.58	80.14
2. Non-Interest Expense/ Gross Revenues	19.30	27.36	25.77	20.87	23.67
3. Pre-impairment Op. Profit/ Average Equity	8.79	6.92	7.26	8.49	9.75
4. Pre-impairment Op. Profit/ Average Total Assets	1.31	1.17	1.75	2.52	3.06
5. Credit Impairment Charges/ Pre-impairment Op. Profit	63.51	43.82	29.35	41.79	31.43
6. Operating Profit/ Average Equity	3.21	3.89	5.13	4.94	6.68
7. Operating Profit/ Average Total Assets	0.48	0.66	1.24	1.47	2.10
8. Taxes/ Pre-tax Profit	25.11	51.92	25.88	27.33	26.71
C. Other Profitability Ratios					
1. Net Income/ Average Total Equity	2.40	1.87	3.80	3.54	5.33
2. Net Income/ Average Total Assets	0.36	0.32	0.92	1.05	1.67
3. Fitch Comprehensive Income/ Average Total Equity	2.40	1.87	3.80	3.54	5.33
4. Fitch Comprehensive Income/ Average Total Assets	0.36	0.32	0.92	1.05	1.67
5. Net Income/ Av. Total Assets plus Av. Managed Assets	n.a.	n.a.	n.a.	n.a.	n.a.
D. Capitalization					
1. Fitch Eligible Capital/ Regulatory Weighted Risks	n.a.	n.a.	n.a.	n.a.	n.a.
2. Tangible Common Equity/ Tangible Assets	15.67	14.14	20.87	27.26	32.17
3. Tier 1 Regulatory Capital Ratio	9.10	7.35	9.20	10.00	11.45
4. Total Regulatory Capital Ratio	10.36	8.70	11.00	11.90	13.87
5. Fitch Eligible Capital/ Tier 1 Regulatory Capital	107.90	108.39	115.02	115.18	122.56
6. Equity/ Total Assets	15.67	14.15	20.88	27.28	32.19
7. Cash Dividends Paid & Declared/ Net Income	0.00	26.17	13.35	9.98	6.15
8. Cash Dividend Paid & Declared/ Fitch Comprehensive Income	0.00	26.17	13.35	9.98	6.15
9. Net Income - Cash Dividends/ Total Equity	2.14	1.36	3.24	3.18	4.32
E. Loan Quality					
1. Growth of Total Assets	n.a.	52.21	35.48	15.13	27.13
2. Growth of Gross Loans	n.a.	58.01	38.22	23.48	27.85
3. Impaired Loans(NPLs)/ Gross Loans	0.79	0.58	0.35	0.33	0.33
4. Impaired Loans(NPLs)/Gross Loans and Guarantees	0.45	0.23	0.11	0.12	0.39
5. Reserves for Impaired Loans/ Impaired Loans	366.93	507.56	936.99	1,302.43	1,429.07
6. Reserves for Impaired Loans/Impaired Loans and Guarantees	391.63	704.64	1,582.16	1,757.08	n.a.
7. Loan Impairment Reserves/ Gross loans	2.91	2.94	3.33	4.28	4.68
8. Impaired Loans less Reserves for Imp Loans/ Equity	-12.14	-15.25	-12.52	-12.48	-10.87
9. Loan Impairment Charges/ Average Gross Loans	0.92	0.59	0.61	1.26	1.20
10. Net Charge-offs/ Average Gross Loans	n.a.	n.a.	n.a.	n.a.	n.a.
11. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	n.a.	n.a.	n.a.	n.a.	n.a.
F. Liquidity					
1. Loans/ Customer Deposits	n.a.	n.a.	n.a.	n.a.	n.a.
2. Loans/ Deposits and Short-term Funding	257.85	253.62	395.15	277.46	327.40
3. Liquid Assets/ Total Assets	n.a.	n.a.	n.a.	n.a.	n.a.
4. Liquid Assets/ Wholesale Funding	n.a.	n.a.	n.a.	n.a.	n.a.
5. Wholesale Funding/ Total Funding and Capital	83.38	84.51	77.91	71.25	65.40

Offering Circular

THE EXPORT-IMPORT BANK OF KOREA

(A statutory juridical entity established under The Export-Import Bank of Korea Act of 1969, as amended, in the Republic of Korea)

The Export-Import Bank of Korea (the "Issuer") will issue notes (the "Notes") registered with the Financial Supervisory Commission of the Republic of China ("ROC").

We may not redeem the Notes, in whole or in part, prior to maturity except upon the occurrence of certain events related to Korean tax law as described under "Terms and Conditions of the Notes—Redemption and Purchase—Redemption for tax reasons".

The Notes will constitute our unsecured and unsubordinated obligations and will rank equally with all of our other unsecured and unsubordinated obligations from time to time outstanding.

Application will be made by the Issuer to the GreTai Securities Market (the "GTSM") for the listing and trading of the Notes on the GTSM. The Notes are offered for sale by means of a public offering only in ROC. The Notes will be traded pursuant to the applicable rules of the GTSM and/or the Taiwan Depositary and Clearing Corporation.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or any state securities laws, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes are being offered and sold only outside the United States in reliance on Regulation S under the Securities Act ("Regulation S"). For a description of certain restrictions on offers and sales of the Notes, see "Subscription and Sale."

The Notes will be evidenced by a global note (the "Global Note"), in registered form, which will be registered in the name of a nominee of, and deposited with a common depositary for, Euroclear Bank S.A./N.V. ("Euroclear"), and Clearstream, Luxembourg Banking, *société anonyme*, ("Clearstream, Luxembourg"). Beneficial interests in the Global Note will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg and their respective accountholders. Except in limited circumstances set out herein, individual certificates for Notes will not be issued in exchange for beneficial interests in the Global Note.

This Offering Circular should be read in conjunction with the supplemental offering circular dated 7 June 2010 (the "Supplemental Offering Circular").

Arranger

Deutsche Bank AG, Taipei Branch

Joint Lead Managers

Mega International Commercial Bank **Bank of Taiwan** **Deutsche Bank AG, Taipei Branch**

Co-managers

Chang Hwa Commercial Bank **Taiwan Cooperative Bank** **First Commercial Bank**

The date of this offering circular is 7 June 2010.

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You should rely only on the information contained in this offering circular. We have not authorized anyone to provide you with information that is different. This offering circular may only be used where it is legal to sell these securities. The information in this offering circular may only be accurate on the date of this offering circular.

We, having made all reasonable inquiries, confirm that this offering circular contains all information with respect to us and the Notes that is material in the context of the issue and offering of the Notes, that the information contained herein is true and accurate in all material respects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions, that there are no other facts, the omission of which would, in the context of the issue and offering of the Notes, make this offering circular as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect, that all reasonable inquiries have been made by us to verify the accuracy of such information and that this offering circular does not contain any untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary in order to make the statements herein, in the light of the circumstances under which they are made, not misleading. We accept responsibility accordingly. Information provided in this offering circular with respect to Korea and its political status and economy has been derived from information published by the Korean government and other public sources, and we accept responsibility only for the accurate extraction of information from such sources.

In making an investment decision, prospective investors must rely on their own examination of us and the terms of the offering of the Notes, including the merits and risks involved. We are not making any representation to any purchaser of the Notes regarding the legality of an investment in the Notes by such purchaser under any legal investment or similar laws or regulations. The contents of this offering circular should not be construed as providing legal, business, accounting or tax advice. Neither this offering circular nor any information supplied in connection with the issue of the Notes should be considered as a recommendation or constituting an invitation or offer by us that any recipient of this offering circular should purchase any Notes.

No person is authorized in connection with any offering of the Notes to give any information or make any representation other than as contained in this offering circular in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by us or by the Managers (as defined in "Subscription and Sale"). Neither the delivery of this offering circular nor any sale made hereunder shall, under any circumstances, constitute a representation or create any implication that there have been no changes in our affairs since the date hereof. No representation or warranty, express or implied, is made by the Managers or any of their affiliates or advisers as to the accuracy or completeness of the information contained herein, and nothing contained in this offering circular is, or shall be relied upon as a promise or representation by the Managers or their affiliates or advisers. The Managers have not verified any of the information contained herein (financial, legal or otherwise) and assume no responsibility for the accuracy or completeness of any such information. Each person receiving this offering circular acknowledges that such person has not relied on the Managers or any person affiliated with the Managers in connection with its investment decisions. Neither the delivery of this offering circular nor any sale made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date hereof or constitute a representation that there has been no change or development reasonably likely to involve a material adverse change in our affairs since the date hereof.

The distribution of this offering circular and the offering of the Notes in certain jurisdictions may be restricted by law. It may not be used for or in connection with any offer to, or solicitation by, anyone in any jurisdiction in which it is unlawful to make such an offer or solicitation. Persons into whose possession this document may come are required by us and the Managers to inform themselves about and to observe such restrictions. No action is being taken in any jurisdiction to permit an offering to the general public of the Notes or the distribution of this document in any jurisdiction where action would be required for such purposes.

The Notes have not been registered with or approved or disapproved by the United States

Securities and Exchange Commission, any state securities commission or other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering circular. Any representation to the contrary is a criminal offense. We are offering the Notes in reliance on an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering. We are not, and neither are the Managers, making an offer to sell the Notes in any state or other jurisdiction except where an offer or sale is permitted.

This offering circular does not constitute, and may not be used for purposes of, an offer, invitation or solicitation by anyone in any jurisdiction or in any circumstances in which such offer, invitation or solicitation is not authorized or to any person to whom it is unlawful to make such offer, invitation or solicitation. The distribution of this offering circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this offering circular may come are required by us and the Managers to inform themselves about and to observe the relevant restrictions. For a description of certain restrictions on offers and sales of the Notes and distribution of this offering circular, see "Subscription and Sale" and "Transfer Restrictions". No action is being taken in any jurisdiction to permit an offering to the general public of Notes or the distribution of this offering circular in any jurisdiction where action would be required for those purposes.

We reserve the right to withdraw this offering of the Notes at any time. We and the Managers also reserve the right to reject any offer to purchase the Notes in whole or in part for any reason and to allocate to any prospective investor less than the full amount of Notes sought by such investor.

CERTAIN DEFINED TERMS AND CONVENTIONS

References herein to "₩" or "Won" refer to the currency of the Republic of Korea, those to "Dollars", "dollars", "US Dollars", "U.S. Dollars", "U.S. dollars", "US$", "$" or "US cents" refer to the currency of the United States of America, those to "HK$" refer to the currency of the Hong Kong Special Administrative Region, those to "Japanese Yen", "¥" or "Yen" refer to the currency of Japan, those to "Sterling" or "£" refer to the currency of the United Kingdom, those to "Swedish Kroner" or "SEK" refer to the currency of Sweden, and "euro", "EUR" or "€" means the lawful currency of member states of the European Union that adopt the single currency introduced in accordance with the Treaty establishing the European Communities as amended; and "Euro Note" means a Note denominated in euro. We maintain its accounts in Won. Except where otherwise stated, Won amounts have been translated into Dollars at the rate of Won 1,167.6 to US$1.00, which was the market average exchange rate as announced by the Seoul Money Brokerage Services, Ltd. on 31 December 2009. No representation is made that the Won or Dollar amounts referred to herein could have been or could be converted into Dollars or Won, as the case may be, at any particular rate or at all.

References herein to "Korea" or the "Republic" are references to the Republic of Korea, and references herein to "Government" are references to the government of the Republic of Korea. References to "we", "us", "our", the "Issuer" or the "Bank" are references to The Export-Import Bank of Korea.

In this Offering Circular, where information has been presented in thousands, millions or billions of units, amounts may have been rounded up or down. Accordingly, actual numbers may differ from those contained herein due to rounding. All discrepancies in any table between totals and the sums of the amounts listed are due to rounding.

PRESENTATION OF FINANCIAL INFORMATION

Our financial statements are audited and published annually and are prepared in accordance with generally accepted accounting principles in Korea ("Korean GAAP"), which differs in certain significant respects from generally accepted accounting principles in other countries, including the United States. The material differences between Korean GAAP and generally accepted accounting principles in the United States ("U.S. GAAP"). We have made no attempt to identify or quantify the impact of these differences.

Our principal financial statements are its non-consolidated financial statements. Unless specified otherwise, the Bank's financial and other information is presented on a non-consolidated basis and does not include such information with respect to its subsidiaries.

ENFORCEABILITY OF CIVIL LIABILITIES

We are a corporation with limited liability organised under the laws of Korea. Substantially all of our officers and certain directors and other persons named herein reside in Korea, and substantially all or a significant portion of the assets of the officers and certain directors and other persons named herein that reside in Korea and substantially all of our assets are located in Korea. As a result, it may not be possible for investors to effect service of process outside Korea upon those persons or to enforce against them or against us in any jurisdiction outside Korea judgments predicated upon the civil liability provisions of the federal securities laws of the United States. There is doubt as to the enforceability in Korea, either in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated on the U.S. federal securities laws.

Summary of the Offering

Terms used in this summary and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Notes."

Issuer	The Export-Import Bank of Korea
Offering	The Notes are being offered outside of the United States to non-U.S. persons in reliance on Regulation S. The Notes are offered for sale by means of a public offering only in the ROC. For more detailed information, see the Supplemental Offering Circular.
Issue Price	Please refer to the Supplemental Offering Circular. .
Interest	Please refer to the Supplemental Offering Circular.
Issue Date	Please refer to the Supplemental Offering Circular.
Maturity	Please refer to the Supplemental Offering Circular.
Ranking	The Notes will constitute our direct, unconditional, unsubordinated and unsecured general obligations and will rank *pari passu* and without any preference or priority among themselves and at least equally with all of our other outstanding and future unsecured and unsubordinated general obligations (subject to certain statutory exceptions under the laws of Korea).
Form and Denomination	The Notes will be denominated, and may be offered, sold, held and transferred, in principal amounts of US$10,000. Notes sold will be evidenced by the Global Note, in fully registered form without interest coupons deposited on the Issue Date with, and will be registered in the name of a nominee of the common depositary for Euroclear and Clearstream, Luxembourg. The Notes are not issuable in bearer form. Beneficial interest in the Global Note will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream, Luxembourg. Beneficial interests in the Global Note will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream, Luxembourg. Except as described herein, definitive certificates representing the Notes will not be issued in exchange for beneficial interests in the Global Note. The Notes may not be sold or otherwise transferred except in accordance with the restrictions described under "Transfer Restrictions."
Negative Pledge	The Notes contain certain limitations on our ability to create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest on its undertaking, assets or revenues to secure certain types of indebtedness. See

	"Terms and Conditions of the Notes — Negative Pledge."
Optional Tax Redemption	We may, at our option, redeem the Notes, in whole but not in part, at 100% of their principal amount plus accrued interest to the date fixed for redemption, if we have or would become obligated to pay Additional Amounts in respect of certain Korean taxes imposed in respect of payments of principal of or interest on the Notes. See "Terms and Conditions of the Notes —Terms and Conditions of the Notes—Redemption and Purchase—Redemption for tax reasons."
Additional Amounts	If withholding or deduction of present or future taxes or other governmental charges is required by Korea, subject to certain exceptions, we will pay additional amounts as are necessary in order to ensure that the net amounts received by Holders of Notes after such withholding or deduction is the same as the amount of principal and interest which the Holders would have received in the absence of that withholding or deduction. See "Terms and Conditions of the Notes — Taxation."
Listing and Trading	Application will be made by the Issuer to the GTSM for the listing and trading of the Notes on the GTSM.
Use of Proceeds	We intend to use the net proceeds from the offering principally for refinancing of our short-term debt and general corporate purposes.
Governing Law	The Notes and the Trust Deed are governed by, and construed in accordance with, the laws of England.
Paying and Transfer Agent	Deutsche Bank AG, Hong Kong Branch
Registrar	Deutsche Bank Luxembourg, S.A.
Selling Restrictions	The Notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold in the United States. The Notes are offered for sale by means of a public offering only in the ROC. See "Subscription and Sale" and the Supplemental Offering Circular.
Delivery of the Notes	For settlement procedures for investors within the ROC, see "General Information—Settlement Procedure" of the Supplemental Offering Circular.
ISIN	XS0515016599
Common Code	051501659

USE OF PROCEEDS

We will use the net proceeds from the sale of the Notes for our general operations, including extending foreign currency loans and repayment of our remaining debt and other obligations

THE EXPORT-IMPORT BANK OF KOREA

Overview

We were established in 1976 as a special governmental financial institution pursuant to the Export-Import Bank of Korea Act, as amended (the "KEXIM Act"). Since our establishment, we have been promoting the export and competitiveness of Korean goods and services in international markets. To this end, we have introduced financing facilities and implemented lending policies that are responsive to the needs of Korean exporters.

Our primary purpose, as stated in the KEXIM Act, is to "promote the sound development of the national economy and economic cooperation with foreign countries by extending the financial aid required for export and import transactions, overseas investment and the development of natural resources abroad." Over the years, we have developed various financing facilities and lending policies that are consistent with the Government's overall economic policies. In the latter part of the 1980s, as a result of changing trade conditions and the increased internationalization of the Korean economy, overseas investment credits and import credits were promoted and began to constitute an important portion of our business. In recent years, we have focused on the development of new financing facilities, including structured financing for ships and project financing for the construction of industrial plants and the development of natural resources abroad.

As of December 31, 2009, we had ₩37,423 billion of outstanding loans, including ₩22,410 billion of outstanding export credits, ₩10,395 billion of outstanding overseas investment credits and ₩2,464 billion of outstanding import credits, as compared to ₩32,390 billion of outstanding loans, including ₩17,637 billion of outstanding export credits, ₩9,866 billion of outstanding overseas investment credits and ₩2,326 billion of outstanding import credits as of December 31, 2008.

Although our management has control of our day-to-day operations, our operations are subject to the close supervision of the Government. The Government's determination each fiscal year regarding the amount of financial support to extend to us, in the form of loans, contributions to capital or transfers of our income to reserves, plays an important role in determining our lending capacity. The Government has the power to appoint or dismiss our President, Deputy President, Executive Directors and Auditor. Moreover, the Minister of Strategy and Finance (formerly the Minister of Finance and Economy) of the Republic has, on behalf of the Republic, signed the registration statement of which this Offering Circular forms a part.

The Government supports our operations pursuant to Article 37 of the KEXIM Act. Article 37 of the KEXIM Act provides that "the annual net losses of the Export-Import Bank of Korea shall be offset each year by the reserve, and if the reserve be insufficient, the Government shall provide funds to cover the deficit." As a result of the KEXIM Act, the Government is generally responsible for our operations and is legally obligated to replenish any deficit that arises if our reserves, consisting of our surplus and capital surplus items, are insufficient to cover any of our annual net losses. In light of the above, if we have insufficient funds to make any payment under any of our obligations, including the debt securities covered by this Offering Circular, the Government would take appropriate steps, such as by making a capital contribution, by allocating funds or by taking other action, to enable us to make such payment when due. The provisions of Article 37 do not, however, constitute a direct guarantee by the Government of our obligations, and the provisions of the KEXIM Act, including Article 37, may be amended at any time by action of the National Assembly.

Capitalization

As of December 31, 2009, our authorized capital was ₩8,000 billion and capitalization was as follows:

	December 31, 2009[(1)]
	(billions of Won)
Long-Term Debt[(2)(3)(4)(5)]:	
Borrowings in Korean Won	₩ –
Borrowings in Foreign Currencies	–
Export-Import Financing Debentures	18,229
Total Long-term Debt	₩ 18,229
Capital and Reserves:	
Paid-in Capital[(6)]	₩ 5,009
Legal Reserve[(7)]	266
Voluntary Reserve[(7)]	812
Unappropriated Retained Earnings	1,104
Accumulated Other Comprehensive Income	350
Total Capital and Reserve	₩ 7,542
Total Capitalization[(7)]	₩ 25,771

(1) Except as described in this Offering Circular, there has been no material adverse change in our capitalization since December 31, 2009.

(2) We have translated borrowings in foreign currencies as of December 31, 2009 into Won at the rate of ₩1,167.6 to US$1.00, which was the market average exchange rate as announced by the Seoul Monetary Brokerage Services Ltd., on December 31, 2009.

(3) As of December 31, 2009, we had contingent liabilities totaling ₩75,869 billion, which consisted of ₩45,165 billion under outstanding guarantees and acceptances and ₩30,704 billion under contingent guarantees and acceptances issued on behalf of our clients. For further information relating to our contingent liabilities under outstanding guarantees as of December 31, 2009, see "Notes to Non-Consolidated Financial Statements of December 31, 2009 and 2008—Note 11". See also "Notes to Non-Consolidated Financial Statements of December 31, 2009 and 2008—Note 14" for a description of our commitments and contingencies as of December 31, 2009.

(4) As of December 31, 2009, we had entered into 104 interest rate related derivative contracts with a notional amount of ₩11,900 billion and 114 currency related derivative contracts with a notional amount of ₩10,521 billion in accordance with our policy to hedge interest rate and currency risks. See "Notes to Non-Consolidated Financial Statements of December 31, 2009 and 2008—Note 15".

(5) See "Sources of Funding" for an explanation of these sources of funds. All the borrowings of the Bank, whether domestic or international, are unsecured and unguaranteed.

(6) As of December 31, 2009, authorized ordinary share capital is ₩8,000 billion and issued fully-paid ordinary share capital is ₩5,009 billion. In January 2010, the Government contributed ₩150 billion in cash to our capital. See "Government Support and Supervision."

(7) See "Government Support and Supervision" for a description of the manner in which annual net income is transferred to the legal reserve and may be transferred to the voluntary reserve.

Business

Purpose and Authority

We were established in 1976 as a special governmental financial institution pursuant to the KEXIM Act. The KEXIM Act, the Enforcement Decree of the KEXIM Act (the "KEXIM Decree") and our Articles of Incorporation (the "By-laws") define and regulate our powers and authority. We are treated as a special juridical entity under Korean law and are not subject to certain of the laws regulating activities of commercial banks.

We were established, as stated in the KEXIM Act, to "promote the sound development of the national economy and economic cooperation with foreign countries by extending the financial aid required for export and import transactions, overseas investment and the development of natural resources abroad." As an instrument in serving the Government's public policy objectives, we do not seek to maximize our profits. We do, however, strive to maintain an adequate level of profitability to strengthen our equity base in order to support the growth in the volume of our business.

Our primary purpose has been the provision of loans to facilitate Korean exports of capital and non-capital goods and technical services. Most of our activities have been carried out pursuant to this authority and we characterize such loans as export credits. In January 2008, the Government amended the KEXIM Act and KEXIM Decree to expand the types of goods and services eligible for export credits that we may extend to include intangible goods and non-technical services.

We have the authority to undertake a range of other financial activities. These fall into three principal categories:

- overseas investment credits;
- import credits; and
- guarantee facilities.

Overseas investment credits consist of loans to finance Korean overseas investments and projects. Import credits include the extension of loans to finance Korean imports of essential materials and natural resources. Guarantee facilities are made available to support the obligations of Korean exporters and importers.

We also have the authority to administer, on behalf of the Government, the Government's Foreign Economic Cooperation Fund and the Inter-Korea Cooperation Fund, formerly known as South and North Korea Co-operation Fund.

We may also undertake other business activities incidental to the foregoing, including currency and interest rate swap transactions. We have engaged in such swap transactions for hedging purposes only.

Government Support and Supervision

The Government's determination each fiscal year, regarding the amount of financial support to extend to us, plays an important role in determining our lending capacity. Such support has included contributions to capital, loans and transfers of our income to reserves.

Our authorized capital was ₩30 billion when the Government enacted the KEXIM Act in 1969. The National Assembly amended the KEXIM Act and increased our authorized capital to ₩150 billion in 1974, ₩500 billion in 1977, ₩1,000 billion in 1986, ₩2,000 billion in January 1998 and ₩4,000 billion in September 1998. In January 2009, the Government further increased our authorized capital to ₩8,000 billion.

As of December 31, 1996, the capital contribution from the Government was approximately ₩686 billion, all in cash. Since 1997, the Government has made capital contributions not only in cash but also in the form of shares of common stock of Government-affiliated entities. In 1997, the Government contributed ₩185 billion in cash and in the form of shares of common stock of KT&G (formerly known as Korea Tobacco & Ginseng). In 1998, the Government contributed ₩805 billion in cash and in the form of shares of common stock of KT&G, Korea Electric Power Corporation and Korea Expressway Corporation (formerly known as Korea Highway Corporation). From 1999 to 2004, the Government contributed ₩1,100 billion in cash to our capital, directly and indirectly through The Bank of Korea and the Korea Development Bank.

In April 2005, the Government contributed ₩500 billion in the form of shares of common stock of Korea Expressway Corporation owned by the Government and ₩20 billion in cash to our capital to further support our lending to Korean manufacturers and exporters, in accordance with the Government policy to promote the Republic's exports by providing such entities with the funds required for the construction and export of capital goods (such as industrial plants, industrial machinery, natural resource development, information infrastructure and overseas construction projects). In July 2007, the Government contributed ₩3 billion in cash to our capital. In December 2008, the Government contributed ₩650 billion in the form of shares of common stock of Kyobo Life Insurance Co., Ltd. and Korea Expressway Corporation to our capital. The Government contributed to our capital ₩300 billion in cash in January 2009, ₩500 billion in the form of shares of common stock of Korea Expressway Corporation in March 2009 and ₩250 billion in cash in May 2009, in order to support our lending to Korean exporters, including small and medium-sized enterprises. Taking into account these capital contributions, as of December 31, 2009, our total paid-in capital was ₩5,009 billion. In January 2010, the Government further contributed ₩150 billion in cash to our capital. As of March 31, 2010, our paid-in capital was ₩5,159 billion.

Pursuant to the KEXIM Act, only the Government, The Bank of Korea, Korea Finance Corporation, certain designated domestic banking institutions, exporters' associations and international financial organizations may contribute to our paid-in capital. As of December 31, 2009, the Government directly owned 74% of our paid-in capital and indirectly owned, through The Bank of Korea and Korea Finance Corporation, 23% and 3%, respectively, of our paid-in capital. See "Notes to Non-Consolidated Financial Statements of December 31, 2009 and 2008—Note 1".

In addition to contributions to our capital, the Government provides funding for our financing activities. The Government has made loans available to us for our lending activities. See "Description of Assets and Liabilities—Sources of Funding."

The Government also supports our operation pursuant to Articles 36 and 37 of the KEXIM Act. Article 36 of the KEXIM Act and the By-laws provide that we shall apply our net income earned during each fiscal year, after deduction of depreciation expense for such fiscal year, in the following manner and in order of priority:

- first, 20% of such net income is transferred to our legal reserve until the total amount of our legal reserve equals the total amount of our paid-in capital;

- second, if the Minister of Strategy and Finance approves such distribution, the balance of any such net income, after such transfer to the legal reserve, is distributed to the institutions, other than the Government, that have contributed to our capital (up to a maximum 15% annual dividend rate); and

- third, the remaining balance of any such net income is distributed in whatever manner our Operations Committee determines and the Minister of Strategy and Finance approves, such as additions to our voluntary reserve. As of December 31, 2008, we had a legal reserve of ₩247.1 billion and a voluntary reserve of ₩737.3 billion.

Article 37 of the KEXIM Act provides that "the annual net losses of the Export-Import Bank of Korea shall be offset each year by the reserve, and if the reserve be insufficient, the Government shall provide funds to cover the deficit." As a result of the KEXIM Act, the Government is generally responsible for our operations and is legally obligated to replenish any deficit that arises if our reserves are insufficient to cover any of our annual net losses. In light of this provision, if we have insufficient funds to make any payment under any of our obligations, the Government would take appropriate steps by making a capital contribution, by allocating funds or by taking other action to enable us to make such payment when due. The provisions of Article 37 do not, however, constitute a direct guarantee by the Government of our obligations, and the provisions of the KEXIM Act, including Article 37, may be amended at any time by action of the National Assembly.

The Government closely supervises our operations including in the following ways:

- the President of the Republic appoints our President upon the recommendation of the Minister of Strategy and Finance;

- the Minister of Strategy and Finance appoints our Deputy President and Executive Directors upon the recommendation of our President;

- one month prior to the beginning of each fiscal year, we must submit our proposed program of operations and budget for the fiscal year to the Minister of Strategy and Finance for his approval;

- the Minister of Strategy and Finance must approve our operating manual, which sets out guidelines for all principal operating matters, including the range of permitted financings;

- the Board of Audit and Inspection, a Government department, examines our settlement of accounts annually;

- each of the Minister of Strategy and Finance and the Financial Services Commission has broad authority to require reports from us on any matter and to examine our books, records and other documents. On the basis of the reports and examinations, the Minister of Strategy and Finance may issue any orders it deems necessary to enforce the KEXIM Act or delegate examinations to the Financial Services Commission;

- the Financial Services Commission may supervise our operations to ensure managerial soundness based upon the KEXIM Decree and the Supervisory Regulations of Banking Business legislated by the Financial Services Commission and may issue orders deemed necessary for such supervision;

- we must submit our annual report to the Ministry of Strategy and Finance (formerly, the Ministry of Finance and Economy) within two months after the end of each fiscal year and to the National Assembly within nine months after the end of each fiscal year outlining our operations and analyzing our activities during the relevant fiscal year; and

- we may amend our By-laws and operating manual only with the approval of the Minister of Strategy and Finance.

Selected Financial Statement Data

You should read the following financial statement data together with our financial statements and notes included in this Offering Circular:

	Year Ended December 31,				
	2005	**2006**	**2007**[1)]	**2008**[(1)]	**2009**[(1)]
			(billions of Won)		
Income Statement Data					
Total Interest Income....................	₩ 514	₩ 742	₩ 1,042	₩ 1,448	₩ 1,445
Total Interest Expense	392	489	804	1,107	1224
Net Interest Income	122	253	238	342	221
Total Revenues	1,224	1,279	2,123	5,122	3,960
Total Expenses..............................	918	1,047	1,874	4,927	3,926
Income before Income Taxes........	306	232	249	196	34
Income Tax Benefit (expense)......	(82)	(63)	(64)	(102)	(8)
Net Income	225	168	184	94	26

	As of December 31,				
	2005	2006	2007	2008	2009
	(billions of Won)				
Balance Sheet Data					
Total Loans[2]	₩ 12,189	₩ 15,051	₩ 20,739	₩ 32,390	₩ 37,423
Total Borrowings[3]	9,222	11,799	17,412	27,771	33,302
Total Assets	15,156	17,449	23,639	35,982	42,028
Total Liabilities	10,277	12,689	18,704	30,892	35,565
Total Shareholders' Equity[4]	4,878	4,760	4,936	5,090	6,463

(1) Effective January 1, 2008, we record "amount received (paid) on currency interest swaps" as "interest revenue (expense)" in our Statements of Income; prior to the change, such amount was accounted for as "gain (loss) on derivatives". In connection with the change, our income statement data for the year ended December 31, 2007 have been reclassified to conform with the presentation of our financial information for the years ended December 31, 2008 and 2009 for comparative purposes but our income statement data for the years ended December 31, 2005 and 2006 have not reflected such change.

(2) Gross amount, including bills bought, foreign exchange bought, call loans, inter-bank loans in foreign currency and others and before deducting valuation adjustment of loans in foreign currencies, deferred loan origination fees and allowance for loan losses. See "Notes to Non-Consolidated Financial Statements of December 31, 2009 and 2008 – Note 5."

(3) Includes debentures.

(4) Includes unappropriated retained earnings.

2009

We had net income of ₩26 billion in 2009 compared to net income of ₩94 billion in 2008.

The principal factors for the decrease in net income in 2009 compared to 2008 included:

- net loss on foreign currency translations of ₩352 billion in 2009 compared to net gain of ₩1,095 billion in 2008, primarily due to the appreciation of the Won against the U.S. dollar in 2009;
- an increase in provision for loan losses to ₩339 billion in 2009 from ₩93 billion in 2008, primarily due to increased non-performing loans; and
- a decrease in net interest income to ₩221 billion in 2009 from ₩342 billion in 2008, primarily due to (i) losses on currency and interest rate swaps resulting from fluctuations in exchange and interest rates during 2009 and (ii) increased funding costs for foreign currency borrowings as a result of adverse global credit market conditions during 2009.

The above factors were partially offset by (1) net gain on valuation of derivatives of ₩480 billion in 2009 compared to net loss of ₩738 billion in 2008 and (2) net gain on derivative transactions of ₩224 billion in 2009 compared to net losses of ₩547 billion in 2008.

As of December 31, 2009, our total assets increased by 17% to ₩42,028 billion from ₩35,982 billion as of December 31, 2008, primarily due to a 16% increase in loans to ₩37,423 billion as of December 31, 2009 from ₩32,390 billion as of December 31, 2008.

As of December 31, 2009, our total liabilities increased by 15% to ₩35,565 billion from ₩30,892 billion as of December 31, 2008. The increase in liabilities was primarily due to a 34% increase in debentures to ₩30,406 billion as of December 31, 2009 from ₩22,747 billion as of December 31, 2008 which more than offset a 42% decrease in borrowings to ₩2,896 billion as of December 31, 2009 from ₩5,024 billion as of December 31, 2008.

The increase in assets and liabilities was primarily due to an increase in the volume of loans and debt, respectively. The appreciation of the Won against the Dollar in 2009 compared to 2008 partially offset the effect of the increase in the volume of loans and debt, as a majority of our assets and liabilities consisted of foreign currency loans and debt, respectively.

As of December 31, 2009, our total shareholders' equity increased by 27% to ₩6,463 billion from ₩5,090 billion as of December 31, 2008, primarily due to the Government's ₩1,050 billion capital injection in 2009.

2008

We had net income of ₩94 billion in 2008 compared to net income of ₩184 billion in 2007.

The principal factors for the decrease in net income in 2008 compared to 2007 included:

- net loss on valuation of derivatives of ₩738 billion in 2008 compared to net gain on valuation of derivatives of ₩335 billion in 2007, primarily due to the appraisal loss on currency interest swaps resulting from the decrease in U.S. dollar swap rates;

- net loss on derivatives transactions of ₩547 billion in 2008 compared to net gain on derivatives transactions of ₩97 billion in 2007, primarily due to the appreciation of the U.S. dollar against other currencies; and

- an increase in provision for loan losses to ₩93 billion in 2008 from ₩59 billion in 2007, primarily due to an increase in loans.

The above factors were partially offset by (1) net gains on foreign currency transactions of ₩1,095 billion in 2008 compared to net loss on foreign currency transactions of ₩517 billion in 2007 and (2) an increase in net interest income to ₩342 billion in 2008 from ₩290 billion in 2007.

As of December 31, 2008, our total assets increased by 52% to ₩35,982 billion from ₩23,639 billion as of December 31, 2007, primarily due to a 56% increase in loans to ₩32,390 billion as of December 31, 2008 from ₩20,739 billion as of December 31, 2007.

As of December 31, 2008, our total liabilities increased by 65% to ₩30,892 billion from ₩18,704 billion as of December 31, 2007. The increase in liabilities was primarily due to a 38% increase in debentures in foreign currencies to ₩19,302 billion as of December 31, 2008 from ₩13,964 billion as of December 31, 2007 and a 158% increase in borrowings to ₩5,024 billion as of December 31, 2008 from ₩1,948 billion as of December 31, 2007.

The increase in assets and liabilities was primarily due to an increase in the volume of loans and debt, respectively. The depreciation of the Won against the Dollar in 2008 compared to 2007 magnified the effect of the increase in the volume of loans and debt, as a majority of our assets and liabilities consisted of foreign currency loans and debt, respectively.

As of December 31, 2008, our total shareholders' equity increased by 3% to ₩5,090 billion from ₩4,936 billion as of December 31, 2007 primarily due to the Government's ₩650 billion capital injection and an increase in retained earnings by ₩69 billion, which was partially offset by a decrease in accumulated other comprehensive income by ₩565 billion, which was in turn due to unrealized loss on available-for-sale securities of ₩560 billion in 2008 compared to a gain of ₩7 billion in 2007.

Operations

Loan Operations

Our primary objective since our establishment has been to promote the export and competitiveness of Korean goods and services in international markets. To this end, we have introduced various financing facilities and implemented lending policies that are responsive to the needs of Korean exporters and foreign importers. Over the years, we have also developed financing facilities and lending policies that are consistent with the Government's overall economic policies. In the latter part of the 1980s, as a result of changing trade conditions and the increased internationalization of the Korean economy, overseas investment credits and import credits were promoted and began to constitute an important portion of our business. Our lending programs include (1) export credits to Korean exporters or foreign buyers of Korean goods and services, (2) overseas investment credits to Korean firms and (3) import credits to Korean importers.

Before approving a credit, we consider:

- economic benefits to the Republic;
- the industry's rank in the order of priorities established by the Government's export-import policy;
- credit risk associated with the loans to be extended; and
- the goal of diversifying our lending activities.

The KEXIM Act and the By-laws provide that we may extend credit only where repayment "is considered probable." Accordingly, we carefully investigate the financial position of each prospective borrower and the technical and financial aspects of the project to be financed, and a loan is made only if we believe there is reasonable assurance of repayment. See "Credit Policies, Credit Approval and Risk Management—Credit Approval".

We are currently required by the KEXIM Act and the KEXIM Decree to make loans with original maturities of not more than 30 years. The overall average life of our loans is approximately 3 years.

In 2009, we provided total loans of ₩32,844 billion, an increase of 30% from the previous year, while our loan commitments amounted to ₩36,258 billion, an increase of 33% from the previous year. The increase in loan disbursements was attributable mainly to increases in disbursements of export credits, which increased by 27% from the previous year. The increase in disbursements of export credits was primarily due to an increase in export credits to ship construction companies in order to support the Korean shipbuilding industry, which experienced a downturn as a result of adverse global economic conditions in 2009.

The following table sets out the total amounts of our outstanding loans, categorized by type of credit:

	As of December 31, 2007	2008	2009	As % of 2009 Total
	(billions of Won)			
Export Credits[1]				
Ships	₩ 4,855	₩ 7,938	₩ 10,550	28%
Industrial Plants	2,785	4,350	4,785	13
Machinery	399	410	722	2
Foreign Exchange Bought	542	473	560	1
Trade Bill Rediscount	922	569	-	-
Others[2]	3,155	3,897	5,794	16

	As of December 31,			As % of 2009 Total
	2007	2008	2009	
	(billions of Won)			
Sub-total	12,658	17,637	22,410	60
Overseas Investment Credits	4,812	9,866	10,395	28
Import Credits	1,550	2,326	2,464	7
Others[3]	361	1,142	271	1
Call Loans and Inter-bank Loans in Foreign Currency	1,357	1,417	1,884	5
Total	₩ 20,739	₩ 32,390	₩ 37,423	100.0%

(1) Includes bills bought.
(2) Includes interbank export loans, offshore loans, etc.
(3) Includes domestic usance, loans for debt-equity swap, advances for customers, etc.
Source: Internal accounting records

The following table sets out our new loan commitments, categorized by type of credit:

New Loan Commitments by Type of Credit

	Year Ended December 31,			
	2007	2008	2009	As % of 2009 Total
	(billions of Won)			
Export Credits[1]				
Ships	₩ 2,618	₩ 2,307	₩ 6,904	19%
Industrial Plants	1,932	3,173	2,772	8
Machinery	1,076	1,417	2,129	6
Foreign Exchange Bought	3,675	2,824	560	2
Trade Bill Rediscount	3,006	3,457	-	-
Others[2]	4,060	6,444	16,106	44
Sub-total	16,368	19,622	28,471	79
Overseas Investment Credits	3,767	4,098	4,080	11
Import Credits	2,810	3,495	3,707	10
Total	₩ 22,945	₩ 27,215	₩ 36,258	100%

(1) Includes bills bought.
(2) Includes interbank export loans, offshore loans, etc.
Source: Internal accounting records

Export Credits

We offer export credits to either domestic suppliers or foreign buyers to finance export transactions.

Export Credits to domestic suppliers include:

- export loans to Korean exporters that export capital goods such as ships, industrial plants and machinery;
- pre-shipment credit to Korean exporters or manufacturers producing export products;
- technical service credit to Korean companies that export technical services abroad, including overseas construction projects;

- short-term trade financing to Korean exporters that manufacture export goods under short-term export contracts;

- small business export credit to small and medium-sized enterprises that manufacture export goods or supply materials needed by their primary exporters;

- rediscount on trade bills to domestic commercial banks for exporters;

- forfeiting to Korean exporters by discounting trade bills under the usance line of credit from export transactions on a non-recourse basis; and

- export factoring to Korean exporters by discounting trade receivables that occurs from open account export transactions on credit on a non-recourse basis.

Export credits to foreign buyers include:

- direct loans to foreign buyers that purchase Korean goods and services;

- project finance to foreign companies that intend to import industrial plants, facilities and technical services from Korea for large-scale projects, of which the cash flows from such projects are the main source for repayment;

- structured finance to foreign shipping companies that purchase ships from Korean shipyards, of which the repayment usually depends on the cash flows generated by the operation of ships; and

- interbank export loans to creditworthy banks in foreign countries to help foreign buyers obtain credit for the purchase of goods and services of Korean origin.

As of December 31, 2009, export credits in the amount of ₩22,410 billion represented 60% of our total outstanding loans. Our new commitments for export credits in 2009 amounted to ₩28,471 billion, an increase of 45% from ₩19,622 billion in 2008. This increase in new commitments for export credits was primarily due to an increase in export credits to ship construction companies in order to support the Korean shipbuilding industry, which experienced a downturn as a result of adverse global economic conditions in 2009.

We offer export credits to Korean manufacturers and exporters in order to provide them with the funds required for the construction and export of Korean capital goods and technical services designated in our operating manual. Capital goods eligible for export credit financings currently include ships, industrial plants, industrial machinery and overseas construction projects. With respect to eligible items supported by our export credits, ships have traditionally had the largest share of our export credit operations. In September 1998, the Government amended the KEXIM Act to expand the types of goods eligible for our export credits to include non-capital goods.

We offer export loans and technical service credits to domestic suppliers at fixed (no less than the Commercial Interest Reference Rate) or floating rates of interest with maturities of up to twelve years for ships and maturities of varying terms, from two to fifteen years, for financings of other eligible items. We typically require a minimum down payment of 20% of the contract amount for ship export financings and a minimum down payment of 15% for financings of other eligible items. When the credit rating of a prospective borrower does not meet our internal rating criteria, these export credits are secured by promissory notes issued in connection with the relevant transaction, or letters of guarantees or letters of credit issued or confirmed by a creditworthy international bank or the importer's government or central bank. Other terms and conditions under such export credit facilities must be in accordance with the Arrangement on Guidelines for Officially Supported Export Credits by the Organization for Economic Cooperation and Development. We offer direct loans to foreign buyers, project finance to project companies and structured finance for ships to foreign shipping companies under similar terms and conditions as export credit financings to domestic suppliers. We offer interbank export loans to overseas banks to facilitate imports by foreign importers of Korean manufactured goods. Interbank export loans are offered at fixed or floating rates of interest with maturities of up to ten years.

Overseas Investment Credits

We extend overseas investment credits to either Korean companies or foreign companies in which a Korean company has an equity share, to finance investments in eligible overseas businesses and projects. Such financing programs include:

- overseas investment credit to Korean companies that invest abroad in the form of capital subscription, acquisition of stocks and long-term credit;
- overseas project credit to Korean companies or their overseas subsidiaries engaging in businesses outside Korea;
- major resources development credit to Korean companies for development of natural resources and acquisition of mining rights abroad; and
- overseas business credit to foreign companies in which Korean companies have an equity stake, in the form of funds for purchasing equipment or working capital.

As of December 31, 2009, overseas investment credits amounted to ₩10,395 billion, representing 28% of our total outstanding loans. Our disbursements and commitments of overseas investment credits in 2009 decreased by 25% to ₩3,970 billion and decreased by 0.4% to ₩4,080 billion, respectively, over the previous year, primarily due to a decrease in natural resources development projects undertaken by Korean companies in 2009. Most of the overseas investment credits were loans to foreign companies in which a Korean company has an equity share.

Proposals for overseas investment credits to finance the acquisition of important materials or the development of natural resources for the Korean economy, as determined by the Government, are given priority, together with projects that promote the export of Korean goods and services. As a result, projects financed by our overseas investment credit program have been mainly in the fields of manufacturing or development of natural resources.

We offer overseas investment credits at either fixed or floating rates of interest with maturities up to 30 years (with a maximum five-year grace period on repayment). Such facilities may require security in the form of a bank guarantee, pledge or mortgage on the borrower's local assets. Depending upon the size of the borrower, we will provide up to 100% of the financing required for the overseas investment project.

Import Credits

We offer import credits to Korean companies that directly import essential materials, natural resources and high-technology materials whose stable and timely supply is required for the national economy, or to Korean companies that import such items after developing them overseas. Import credits are extended for importation of eligible items, including nuclear fuels, aircraft, mineral ores, crude oil, lumber, wood pulp, grains, cotton, sugar, and equipment and machinery for research and development, and for use in advanced technological industries.

As of December 31, 2009, import credits in the amount of ₩2,464 billion represented 7% of our total outstanding loans. Disbursements and new commitments of import credits amounted to ₩3,623 billion and ₩3,707 billion, respectively, in 2009, an increase of 3% and 6%, respectively, over the previous year.

We offer import credits at either fixed or floating rates of interest with maturities up to ten years for equipment and machinery and shorter maturities of up to two years for other items, which may require security in the form of a bank guarantee, pledge or mortgage on the borrower's local assets. Depending upon the size of the borrower, we will provide up to 90% of the import contract amount.

Guarantee Operations

We provide guarantees in favor of Korean commercial banks and foreign banks or foreign importers in respect of the obligations of Korean exporters in order to facilitate export and import financings. Such guarantee programs for Korean exporters and importers include (1) financial guarantees to co-financing banks that provide loans for transactions that satisfy our eligibility requirements and (2) project-related guarantees to foreign importers for the performance of Korean exporters on eligible projects in the form of bid bonds, advance payment bonds, performance bonds and retention bonds. Guarantee commitments as of December 31, 2009 decreased to ₩75,869 billion from ₩90,885 billion as of December 31, 2008. Guarantees we had confirmed as of December 31, 2009 decreased to ₩45,165 billion from ₩48,635 billion as of December 31, 2008.

We mainly issue project-related guarantees, which include:

- advance payment guarantees that are issued to overseas importers of Korean goods and services to support obligations to refund down payments made to Korean exporters in the event of a failure to deliver the goods to be exported; and

- performance guarantees that are issued to foreign importers to support the performance by Korean exporters of their contractual obligations.

In 2009, we issued project-related confirmed guarantees in the amount of ₩22,960 billion, a decrease of 26% from the previous year, which was mainly due to a decrease in need for advance payment guarantee arising from the downturn in shipbuilding sector in 2009.

We also issue letters of credit to foreign exporters to assist in the financing of projects approved in connection with import credit loans, and to Korean exporters to assist in the financing of projects approved in connection with export credit loans.

For further information regarding our guarantee and letter of credit operations, see "Notes to Non-Consolidated Financial Statements of December 31, 2009 and 2008—Note 11".

Government Account Operations

Economic Development Cooperation Fund

In 1987, the Government established the Economic Development Cooperation Fund (the "EDCF") to provide loans, at concessional interest rates, to governments or agencies of developing countries for projects that contribute to industrial development or economic stabilization of such countries. We administer the

EDCF on behalf of the Government and are responsible for project appraisal, documentation and administrative work relating to the EDCF Loans. The EDCF business accounts are maintained separately from our own account on behalf of the Government, and we derive no separate income or expenditures from our operation of the EDCF business. Government contributions constitute the primary funding source of the EDCF. Loan disbursements by the EDCF in 2009 amounted to ₩313 billion for 54 projects in 23 countries, an increase of 32% from the previous year. As of December 31, 2009, the total outstanding loans extended by the EDCF was ₩1,996 billion, an increase of 15% from the previous year.

Inter-Korea Cooperation Fund

In 1991, the Government established the Inter-Korea Cooperation Fund (the "IKCF") to promote mutual exchanges and cooperation between the Republic and North Korea by engaging in funding and financing activities to support family reunions, cultural events, academic seminars, trade and economic cooperation between the two countries. We administer the IKCF under the initiative and policy coordination of the Ministry of Unification. The IKCF accounts are maintained separately from our own account on behalf of the Government. Government contributions are the major funding source of the IKCF. The IKCF disbursements during 2009 amounted to ₩100 billion for 80 projects, and cumulative total disbursements as of December 31, 2009 were ₩5,510 billion, an increase of 2% from ₩5,410 billion as of December 31, 2008.

Other Operations

We engage in various other activities related to our financing activities.

Activities in which we currently engage include:

- country information services performed by the Overseas Economic Research Institute, which conducts country studies and country risk evaluation to assist in the efficient utilization of our financial resources;
- export credit advisory services, which are aimed at bringing about a larger share of overseas bidding by giving Korean exporters a wide range of knowledge on the country, industry, market and financial situation of the importing country in the early stage of the tendering process or contract negotiations;
- consulting services by in-house professionals including lawyers, accountants and regional experts who consult on international transactions; and
- management of Korea's foreign direct investment database.

Description of Assets and Liabilities

Except where expressly indicated otherwise, loans in Won and loans in foreign currencies are collectively referred to as the "Loans". Bills bought, foreign exchange bought and advances for customers are collectively referred to as the "Other Loans". Loans and Other Loans are collectively referred to as the "Loan Credits". Confirmed guarantees and acceptances are collectively referred to as the "Guarantees". Loan Credits and Guarantees are collectively referred to as the "Credit Exposure".

Total Credit Exposure

We extend credits to support export and import transactions, overseas investment projects and other relevant products in various forms including loans and guarantees.

The following table sets out our Credit Exposure as of December 31, 2007, 2008 and 2009, categorized by type of exposure extended:

		As of December 31,					
		2007		2008		2009	
		(billions of Won, except for percentages)					
A	Loans in Won	₩ 3,771	7%	₩ 6,070	8%	₩ 9,710	12%
B	Loans in Foreign Currencies	14,986	29	24,353	30	25,108	31
C	**Loans (A+B)**	18,757	36	30,423	38	34,818	43
D	Other Loans	625	1	550	1	721	1
E	Call Loans and Inter-bank Loans in Foreign Currency	1,357	3	1,417	2	1,884	2
F	**Loan Credits (C+D+E)**	20,739	40	32,390	40	37,423	46
G	Allowances for Loan Losses	(654)	(1)	(922)	(1)	(1,182)	(1)
H	Present Value Discount (PVD)	(38)	(-)	(45)	(-)	(42)	(-)
I	**Loan Credits including PVD (F-G-H)**	20,047	39	31,423	39	36,199	45
J	Guarantees	32,004	61	48,635	61	45,165	55
K	**Credit Exposure (I+J)**	52,051	100	80,058	100	81,364	100

Loan Credits by Geographic Area

The following table sets out the total amount of our outstanding Loan Credits (excluding call loans and inter-bank loans in foreign currency) as of December 31, 2007, 2008 and 2009, categorized by geographic area[(1)]:

	As of December 31[(1)(2)],			As % of 2009 Total
	2007	2008	2009	
	(billions of Won)			
Asia	₩ 15,854	₩ 24,755	₩ 30,958	83%
Europe	4,096	6,073	5,352	14
America	750	1,201	1,100	3
Africa	1	298	12	0
Oceania	38	63	1	0
Total	₩ 20,739	₩ 32,390	₩ 37,423	100%

(1) For purposes of this table, export credits have been allocated to the geographic areas in which the foreign buyers of Korean exports are located; overseas investment credits have been allocated to the geographic areas in which the overseas investments being financed are located; and import credits have been allocated to the geographic areas in which the sellers of the imported goods are located.
(2) Excludes call loans, inter-bank loans in foreign currency, and loan value adjustments.
Source: Internal accounting records.

We engage in business related to Iran, including transactions involving as counterparties Iranian banks that may be indirectly owned or controlled by the Iranian government. The U.S. State Department has designated Iran as a state sponsor of terrorism, and U.S. law generally prohibits U.S. persons from doing business in Iran. We are a Korean bank and our activities with respect to Iran have not involved any U.S. person in either a managerial or operational role and have been subject to policies and procedures designed to ensure compliance with applicable Korean laws and regulations.

Our business related to Iran consists solely of extensions of credit and financing provided in connection with exports of South Korean goods and services to Iran and our disbursements of Iran-related credits are made directly to Korean suppliers or exporters except certain credits made to Iranian banks. Such activities have involved export-related credits to finance the export contracts of Korean exporters supplying goods and services to Iranian companies, credit line extensions to Iranian banks to finance consumer products exports by Korean exporters, extensions of credit through non-recourse discounting of export trade bills, and purchases of promissory notes securing export transactions. Our Loans to Iran represented 4%, 3% and 2%of our total assets as of December 31, 2007, December 31, 2008 and December 31, 2009, respectively, and also represented 5%, 3% and 2% of our Loan Credits, respectively, as of the above dates. Our Loans to Iran, categorized by country that has the final redemption risk of loans, represented 5% and 3% of our total assets and 6% and 4% of our Loan Credits as of December 31, 2008 and December 31, 2009, respectively. Our total revenues from transactions with Iran in 2007, 2008 and 2009 represented 4%, 2% and 2% of our total revenues, respectively, in those periods.

We are aware, through press reports and other means, of initiatives by governmental entities in the U.S. and by U.S. institutions such as universities and pension funds, to adopt laws, regulations or policies prohibiting transactions with or investment in, or requiring divestment from, entities doing business with Iran. It is possible that such initiatives may result in our being unable to gain or retain entities subject to such prohibitions as customers or as investors in our debt securities. In addition, our reputation may suffer due to our association with Iran. Such a result could have significant adverse effects on our business or the price of our debt securities.

Individual Exposure

The KEXIM Decree imposes limits on our aggregate credits extended to a single person or business group. As of the date hereof, we are in compliance with such requirements.

As of December 31, 2009, our largest Credit Exposure was to Samsung Heavy Industries in the amount of ₩9,234 billion. As of December 31, 2009, our second largest and third largest Credit Exposures respectively were to Daewoo Shipbuilding & Marine Engineering in the amount of ₩8,855 billion and to Hyundai Heavy Industries in the amount of ₩6,996 billion.

The following table sets out our five largest Credit Exposures as of December 31, 2009(1):

Rank	Name of Borrower	Loans	Guarantees	Total
			(billions of Won)	
1	Samsung Heavy Industries……………………..	₩ 735	₩ 8,589	₩ 9,324
2	Daewoo Shipbuilding & Marine Engineering…………………………………..	387	8,467	8,855
3	Hyundai Heavy Industries……………………....	482	6,514	6,996
4	Hyundai Samho Heavy industries……………..	232	2,319	2,551
5	STX Shipbuilding……………………………....	319	2,044	2,363

(1) Includes loans and guarantees extended to affiliates.

Asset Quality

The Supervisory Regulation of Banking Business ("Supervisory Regulation") legislated by the Financial Services Commission requires banks, including us, to analyze and classify their credits into one of five categories as normal, precautionary, substandard, doubtful or estimated loss by taking into account borrowers' repayment capacity as well as a number of other factors including the financial position, profitability, transaction history of the relevant borrower and the value of any collateral or guarantee taken as security for the extension of credit. Categorizations are applied to all loans except call loans and interbank loans, which are classified as normal. The Supervisory Regulation also requires banks, including us, to provide the minimum rate of loan loss provision for each category. Credit categorizations and minimum reserve ratios are as follows:

Normal .... Credits extended to customers which, in consideration of their business and operations, financial conditions and future cash flows, do not raise concerns regarding their ability to repay the credits. 0.85% or more reserves required (for companies in certain industries 0.9% or more).

Precautionary.......... Credits extended to customers (1) which, in consideration of their business and operations, financial conditions and future cash flows, are judged to have potential risks with respect to their ability to repay the credits in the future, although there have not occurred any immediate risks of default in repayment; or (2) which are in arrears for one month or more but less than three months. 7.0% or more reserves required.

Substandard .... (1) Credits extended to customers, which in consideration of their business and operations, financial conditions and future cash flows, are judged to have incurred considerable risks for default in repayment as the customers' ability to repay has deteriorated; or (2) that portion which is expected to be collected of total credits (a) extended to customers which have been in arrears for three months or more, (b) extended to customers which are judged to have incurred serious risks due to the occurrence of final refusal to pay their promissory notes, liquidation or bankruptcy proceedings, or closure of their businesses or (c) of "Doubtful Customers" or "Estimated-loss Customers" (each as defined below). 20% or more reserves required.

Doubtful................... That portion of credits in excess of the amount expected to be collected of total credits extended to (1) customers ("Doubtful Customers") which, in consideration of their business and operations, financial conditions and future cash flows, are judged to have incurred serious risks of default in repayment due to noticeable deterioration in their ability to repay; or (2) customers which have been in arrears for three months or more but less than twelve months. 50% or more reserves required.

Estimated Loss......... That portion of credits in excess of the amount expected to be collected of total credits extended to (1) customers ("Estimated-loss Customers"), which, in consideration of their business and operations, financial conditions and future cash flows, are judged to have to be accounted as a loss as the inability to repay became certain due to serious deterioration in their ability to repay; (2) customers which have been in arrears for twelve months or more; or (3) customers which are judged to have incurred serious risks of default in repayment due to the occurrence of final refusal to pay their promissory notes, liquidation or bankruptcy proceedings, or closure of their businesses. 100% reserves required.

In November 2004, the Financial Services Commission announced loan loss provisioning guidelines for banks, which include a requirement that banks take into account "expected loss" based on their own "historical loss" with respect to credits in establishing their allowance for loan losses, instead of establishing such allowances based on the classification of credits under the current asset classification criteria.

Based on the guidelines, we established new loan loss provisioning levels taking into account a borrower's industry risk, individual credit risk and financial risk based on our system for evaluating "expected loss". In 2005, we also modified our loan loss provisioning methodology with respect to normal loans. Loans classified as normal were categorized either as domestic loans or overseas loans. Domestic loans were further subdivided into small and medium-sized business loans and big enterprise loans. Our loan loss provisioning level for domestic loans was established based on a basic loan loss provisioning rate and default risk level according to the term of such loan (i.e., the year of maturity). The basic loan loss provisioning rate for small and medium-sized business loans was calculated based on our system for evaluating "historical loss". With respect to the basic loan loss provisioning rate for big enterprise loans, we did not have enough statistical data for historical loan losses with respect to such loans so we applied an average rate of other Korean banks' provisioning levels for normal loans. Our loan loss allowance for overseas normal loans was calculated based on sovereign credit ratings and on whether a borrower was a public or private enterprise. In addition, we changed our reserve policies for confirmed acceptances and guarantees pursuant to the amended Supervisory Regulation of Banking Business. We have also established reserves for unconfirmed acceptances and guarantees as well as commitments since January 1, 2005. In January 2008, we further modified our loan loss provisioning methodology with respect to normal loans and established loan loss provisioning levels using the expected loss method. The expected loss method analyzes factors of expected loss based on probability of default, or "PD", and loss given default, or "LGD", based on a loan credit rating classification. This credit rating model considers the industry risk, the individual risk and the financial risk of a borrower and classifies the borrower's credit risk within 6 rating categories (in the case of domestic loans), 14 rating categories (in the case of overseas loans for a private enterprise) or 4 rating categories (in the case of overseas loans for a sovereign or a public enterprise) to assess the PD based on historical data for the past years. The 5 rating categories of LGD are determined by the type of loan and collateral and based on Basel II guidelines. The provision rate is calculated by multiplying the PD and LGD.

Asset Classifications

The following table provides information on our loan loss reserves:

	As of December 31, 2007			As of December 31, 2008			As of December 31, 2009		
	Loan Amount(1)	Minimum Reserve Ratio	Loan Loss Reserve(2)	Loan Amount(1)	Minimum Reserve Ratio	Loan Loss Reserve(2)	Loan Amount(1)	Minimum Reserve Ratio	Loan Loss Reserve(2)
	(in billions of Won, except percentages)								
Normal	₩ 81,794	0.85%(3)	₩ 876	₩ 120,463	0.85%(3)	₩ 1,164	₩ 77,908	0.85%(3)	₩ 1,032
Precautionary	303	7.0%	67	1,197	7.0%	96	2,327	7.0%	236
Sub-standard	43	20.0%	19	43	20.0%	19	192	20.0%	84
Doubtful	6	50.0%	6	52	50.0%	46	103	50.0%	98
Estimated Loss	25	100.0%	25	103	100.0%	103	132	100.0%	132
Total	₩ 82,171		₩ 992	₩121,858		₩ 1,428	₩ 80,662		₩1,581

(1) These figures include loans (excluding interbank loans and call loans), domestic usance, bills bought, foreign exchange bought, advances for customers, confirmed and unconfirmed acceptances and guarantees.
(2) These figures include present value discount.
(3) 0.9% for companies in certain industries.

Reserves for Credit Losses

Non-performing assets ("NPA") are (i) assets classified as doubtful and estimated loss, (ii) assets in delinquency of repayments of principal or interest more than three months, or (iii) assets exempted from interest payments due to restructuring or rescheduling.

The following table sets out our 10 largest non-performing assets as of December 31, 2009:

Borrower	Loans	Guarantees	Total
		(billions of Won)	
Jinse Shipbuilding Co., Ltd.	₩ 88	-	₩ 88
Kumho Tire Co., Ltd.	61	-	61
BTA Bank Co., Ltd.	28	-	28
Daehan Shipbuilding Co., Ltd.	-	24	24
Taesan LCD (Suzhou) Co., Ltd	20	-	20
Yangbo Co., Ltd.	18	-	18
Hongwon Paper., Ltd.	16	-	16

Borrower	Loans	Guarantees	Total
		(billions of Won)	
Daewoo Co., Ltd.	12	-	12
Woo-Young Co., Ltd.	12	-	12
Yung-Kwang Stainless Co., Ltd.	11	-	11
Total	₩ 265	₩ 24	₩ 290

In the early 1990's, at the direction of the Government, we extended a commodity loan in the aggregate amount of US$466 million to Vnesheconombank, the Bank for Foreign Economic Affairs of the former Soviet Union, which was guaranteed by the government of the former Soviet Union, as part of the Government's policy to enhance economic cooperation between the two countries. Since the dissolution of the Soviet Union, the Government has been negotiating repayment terms with the government of the Russian Federation, which has agreed to assume the guarantee of the former Soviet Union in respect of the obligations of Vnesheconombank under such loan. In 1995, the two governments came to an agreement on a repayment schedule in respect of approximately half of the loan. Since the agreement was made, US$229 million of the principal was repaid.

In June 2003, the two governments reached an agreement as to the rescheduling of the remaining portion of the loan and the change of the borrower from Vnesheconombank to the government of the Russian Federation. As a result, in September 2003, we upgraded the classification of the outstanding ₩258 billion (including accrued and unpaid interest) of our exposure to the government of the Russian Federation from estimated loss to doubtful in terms of asset quality and established a 70% provisioning level for that credit exposure. In June 2004, we further upgraded the classification of our exposure to the government of the Russian Federation from doubtful to precautionary in terms of asset quality, following the continued repayment of the loan by the government of the Russian Federation in accordance with the agreed payment schedule. As of December 31, 2009, our exposure to the government of the Russian Federation amounted to ₩198 billion and we established a 4% provisioning level for that credit exposure.

We cannot provide any assurance that our current level of exposure to non-performing assets will continue in the future or that any of its borrowers (including its largest borrowers as described above) is not currently facing, or in the future will not face, material financial difficulties.

As of December 31, 2009, the amount of our non-performing assets was ₩414 billion, an increase of 226% from ₩183 billion as of December 31, 2008. As of December 31, 2009, our non-performing asset ratio was 0.5%, compared to 0.2% as of December 31, 2008.

The following table sets forth our reserves for possible credit losses as of December 31, 2008 and 2009:

	As of December 31,	
	2008	2009
	(billions of Won, except for percentages)	
Loan Loss Reserve (A)	₩ 1,428	₩ 1,581
NPA (B)[(1)]	183	414
Total Equity (C)	5,090	6,463
Reserve to NPA (A/B)	779%	382%
Equity at Risk (B-A)/C	—	—

(1) Non-performing assets, which are defined as (a) assets classified as doubtful and estimated loss, (b) assets in delinquency of repayments of principles or interests more than 3 months or (c) assets exempted from interest payments due to restructuring or rescheduling.

Source: Internal accounting records.

The following table sets forth our actual loan loss reserve ratios under the Financial Services Commission guidelines as of December 31, 2008 and 2009:

Classification of Loans	Financial Services Commission Guidelines	Actual Reserve Coverage (as of December 31, 2008)	Actual Reserve Coverage (as of December 31, 2009)
Normal	More than 0.85%	2.5%	1.3%
Precautionary	More than 7.0%	22.0%	10.1%
Substandard	More than 20.0%	43.5%	43.5%
Doubtful	More than 50.0%	94.7%	94.7%
Estimated Loss	100%	100.0%	100.0%

Investments

Under the KEXIM Decree, we are not allowed to hold stocks or securities of more than three years' maturity in excess of 60% of our equity capital. However, investment in the following securities is not subject to this restriction:

- Government bonds;
- BOK currency stabilization bonds;
- securities acquired via Government investment; and
- securities acquired through investment approved by the Government, for research related to our operations or our financing.

As of December 31, 2009, our total investment in securities amounted to ₩3,278 billion, representing 8% of our total assets. Our securities portfolio consists primarily of available-for-sale securities. Available-for-sale securities mainly comprise equity securities in Korea Exchange Bank and Industrial Bank of Korea which were recapitalized by the Government through us and equity securities in Korea Expressway Corporation which were in-kind contributions made by the Government to us. In October 2005, we sold 32,000,000 shares of common stock, which represented 79% of our holding of common stock in Industrial Bank of Korea, for ₩421 billion. In May 2006, we sold 49,134,208 shares of common stock, which represented 55% of our holding of common stock in Korea Exchange Bank, for ₩417 billion. In 2007, we sold 2,376,495 shares of common stock, which represented 18% of our holding of common stock in SK Networks, and 469,932 shares of preferred stock, which represented 60% of our holding of preferred stock in SK Networks, for ₩103 billion. In 2008, we sold 317,510 shares of preferred stock, which represented 100% of our holding of preferred stock in SK Networks, for ₩28 billion. In 2009, we sold 628,445 shares of common stock, which represented 18% of our holding of common stock in SK Networks, for ₩7 billion and 300,000 shares of common stock, which represented 100% of our holding of common stock in Daewoo International, for ₩10.5 billion.

The following table sets out the composition of our securities as of December 31, 2008 and December 31, 2009:

Type of Investment Securities	As of December 31, 2008 Amount (billions of Won)	As of December 31, 2008 %	As of December 31, 2009 Amount (billions of Won)	As of December 31, 2009 %
Available-for-sale Securities	₩ 2,295	96%	₩ 3,163	96%
Held-to-maturity Securities	—	—	—	—
Investments in Associates	102	4%	115	4%
Total	₩ 2,397	100%	₩ 3,278	100.0%

For further information relating to the classification guidelines and methods of valuation for unrealized gains and losses on our securities, see “Notes to Non-Consolidated Financial Statements of December 31, 2009 and 2008—Note 2”.

Guarantees and Acceptances and Contingent Liabilities

We have credit risk factors that are not reflected on the balance sheet, which include risks associated with guarantees and acceptances. Guarantees and acceptances do not appear on the balance sheet, but rather are recorded as an off-balance sheet item in the notes to the financial statements. Guarantees and acceptances include financial guarantees, project related guarantees, such as bid bond, advance payment bond, performance bond or retention bond, and acceptances and advances relating to trade financings such as letters of credit or import freight. Contingent liabilities, for which the guaranteed amounts were not finalized, appear as unconfirmed guarantees and acceptance items in the notes to the financial statements as off-balance sheet items.

As of December 31, 2009, we had issued a total amount of ₩45,165 billion in confirmed guarantees and acceptances, of which ₩44,225 billion, representing 98% of the total amount, was classified as normal and ₩910 billion, representing 2% of the total amount, was classified as precautionary or doubtful.

Derivatives

The objective in our strategy and policies on derivatives is to actively manage and minimize our foreign exchange and interest rate risks. We do not take proprietary derivative positions. It is our policy to hedge all currency and interest rate risks wherever possible (taking into consideration the cost of hedging). We use various hedging instruments, including foreign exchange forwards and options, interest rate swaps, and cross currency swaps.

Under our internal trading rules that have been submitted to the Financial Supervisory Service, our policy is to engage in derivative transactions mainly for hedging our own position. As part of our total exposure management system, we monitor our exposure to derivatives and may make real-time inquiries, which enables our Risk Management Department to check our exposure on a regular basis. Under the guidelines set by the Financial Supervisory Service, we are required to submit reports on our derivatives exposure to the Financial Supervisory Service on a quarterly basis. As a measure to reduce the risk of intentional manipulation or error, we have separated responsibility for different functions such as initiation, authorization, approval, recording, monitoring and reporting to the Financial Supervisory Service. The Risk Management Department conducts regular reviews of derivative transactions to monitor any breach of compliance with the relevant regulatory requirements.

As of December 31, 2009, our outstanding loans made at floating rates of interest totaled approximately ₩19,570 billion, whereas our outstanding borrowings made at floating rates of interest totaled approximately ₩20,795 billion, including those raised in Japanese Yen, pound sterling, Swiss franc, Singapore dollar, Hong Kong dollar, Mexican Peso and Euro and swapped into U.S. dollar floating rate borrowings. As a result, we are exposed to possible interest rate risks to the extent that the amount of our loans made at floating rates of interest exceeds the amount of our borrowings made at floating rates of interest. Foreign exchange risk arises because a majority of our assets and liabilities is denominated in non-Won currencies. In order to match our currency and interest rate structure, we generally enter into swap transactions. As of December 31, 2009, we had entered into 114 currency related derivative contracts with a notional amount of ₩10,521 billion and valuation for BIS capital ratio purposes of ₩144 billion and had entered into 104 interest rate related derivative contracts with a notional amount of ₩11,900 billion and valuation for BIS capital ratio purposes of

₩2 billion. See "Notes to Non-Consolidated Financial Statements of December 31, 2009 and 2008—Note 15".

Sources of Funding

We obtain funds primarily through borrowings from the Government or governmental agencies, the issuance of bonds in both domestic and international capital markets, borrowings from domestic and foreign financial institutions, capital contributions and internally generated funds. Internally generated funds result from various activities we carried on and include principal and interest payments on our loans, fees from guarantee operations and other services, and income from marketable securities we hold.

We raised a net total of ₩34,711 billion (new borrowings plus loan repayments by our clients less repayment of our existing debt) during 2009, a 32% increase compared with the previous year's ₩26,199 billion. The total loan repayments, including prepayments by our clients, during 2008 amounted to ₩27,405 billion, an increase of 40% from ₩19,607 billion during 2008.

Since our establishment, borrowings from the Government have provided a substantial portion of our financial resources. As of December 31, 2003, the outstanding amount of our borrowings from the Government was ₩1,188 billion, which consisted of ₩110 billion in Won and ₩1,078 billion in foreign currencies. In 2004, we repaid all of the amounts borrowed from the Government. The Government provided us with loans in the amount of US$2,595 million in 2008 and US$383 million in the first quarter of 2009 to support our lending to Korean exporters and provide U.S. dollar liquidity to us. In 2009, we repaid all of the amounts borrowed from the Government and as of December 31, 2009, we had no outstanding borrowings from the Government. We also issued Won-denominated domestic bonds in the aggregate amount of ₩1,450 billion, ₩3,250 billion and ₩8,150 billion during 2007, 2008 and 2009, respectively.

We have diversified our funding sources by borrowing from various overseas sources and issuing long-term floating-rate notes and fixed-rate debentures in the international capital markets. These issues were in foreign currencies, including the U.S. dollar, pound sterling, Thai Baht, Malaysia Ringgit, Japanese Yen, Australian Dollar, Euro, Hong Kong dollar, Singapore dollar, Swiss franc, Brazilian Real, Turkish Lira and Mexican Peso and have original maturities ranging from one to ten years.

During 2009, we issued eurobonds in the aggregate principal amount of US$4,670 million in various types of currencies under our existing Euro medium term notes program (the "EMTN Program"), a 59% increase from US$2,935 million in 2008. These bond issues consisted of offerings of US$1,910 million, CHF 500 million, GBP 7 million, HKD 5,755 million, SGD 663 million, BRL 1,037 million, AUD 25 million, EUR 7 million and JPY 5,000 million. In addition, we issued global bonds during 2009 in the aggregate amount of US$3,500 million under our U.S. shelf registration statement (the "U.S. Shelf Program") compared with MXN 2,300 million and EUR 750 million in 2008. We also issued MYR 1,000 million of bonds under our Islamic medium term notes program. As of December 31, 2009, the outstanding amounts of our notes and debentures were US$15,048 million, AUD 25 million, JPY 8,400 million, CHF 1,391 million, EUR 2,786 million, GBP 7 million, SGD 1,246 million, HKD 13,131 million, MXN 3,300 million, MYR 2,215 million, THB 3,500 million and BRL 2,834 million. In March 2010, we issued global bonds in the aggregate principal amount of US$1,000 million pursuant to the U.S. Shelf Program.

We also borrow from foreign financial institutions in the form of loans that are principally made by syndicates of commercial banks at floating or fixed interest rates and in foreign currencies, with original maturities ranging from one to ten years. As of December 31, 2009, the outstanding amount of such borrowings from foreign financial institutions was US$410 million.

Our paid-in capital has increased from time to time since our establishment. From January 1998 to December 2009, the Government contributed ₩3,199 billion to our capital. As of December 31, 2009, our total paid-in capital amounted to ₩5,009 billion, and the Government, The Bank of Korea and Korea Finance Corporation owned 67%, 29% and 4%, respectively, of our paid-in capital. In January 2010, the Government contributed ₩150 billion in cash to our capital, in order to support our lending to Korean exporters, including small and medium-sized enterprises. As of March 31, 2010, our paid-in capital was ₩5,159 billion.

In connection with our fund raising activities, we have from time to time sold third parties promissory notes, including related guarantees, acquired as collateral in connection with export credit financings.

The KEXIM Act provides that the aggregate outstanding principal amount of all of our borrowings, including the total outstanding export-import financing debentures we issued in accordance with the KEXIM Decree, may not exceed an amount equal to thirty times the sum of our paid-in capital plus our reserves. As of December 31, 2009, the aggregate outstanding principal amount of our borrowings (including export-import financing debentures), ₩33,302 billion, was equal to 22% of the authorized amount of ₩151,342 billion.

We are not permitted to accept demand or time deposits.

Each year we must submit to the Government for its approval an operating plan which includes our target levels for different types of funding. The following table is the part of the operating plan dealing with fund-raising for 2010:

Sources of Fund	(billions of Won)
Capital Contribution	₩ 550
Borrowings	19,651
Collection of Loans	26,600
Repayment of Debts	12,402
Net Collection of Loans	14,198
Others	312
Total	₩ 34,711

Debt

Debt Repayment Schedule

The following table sets out the principal repayment schedule for our debt outstanding as of December 31, 2009:

Debt Principal Repayment Schedule

	Maturing on or before December 31,				
Currency[(1)]	2010	2011	2012	2013	Thereafter
			(billions of won)		
Won	₩ 5,670	₩ 440	100	50	90
Foreign	6,091	3,053	3,623	2,311	-
Total Won Equivalent	₩ 11,761	₩ 3,493	₩ 3,723	₩ 2,361	₩ 90

(1) Borrowings in foreign currency have been translated into Won at the market average exchange rates on December 31, 2009, as announced by the Seoul Money Brokerage Services Ltd.

Normally we determine the level of our foreign currency reserves based upon an estimate, at any given time, of aggregate loan disbursements to be made over the next two to three months. Our average foreign currency reserves in 2008 and 2009 were approximately US$1,040 million and US$2,071 million, respectively. Although we currently believe that such reserves, together with additional borrowings available under our uncommitted short-term backup credit facilities and commercial paper programs, will be sufficient to repay our outstanding debt as it becomes due, there can be no assurance that we will continue to be able to borrow under such credit facilities, or that the devaluation of the Won will not adversely affect our ability to access funds sufficient to repay our foreign currency denominated indebtedness in the future. In addition to maintaining sufficient foreign currency reserves, we monitor the maturity profile of our foreign currency assets and liabilities to ensure that there are sufficient maturing assets to meet our liabilities as they become due. As of December 31, 2009, our foreign currency assets maturing within three months exceeded our foreign currency liabilities coming due within the same period by US$171 million, and our foreign currency liabilities coming due within six months and one year exceeded our foreign currency assets maturing within such periods by US$443 million and US$453 million, respectively. As of December 31, 2009, our total foreign currency assets exceeded our total foreign currency liabilities by US$425 million.

Debt Record

We have never defaulted in the payment of principal of, or interest on, any of our obligations.

Credit Policies, Credit Approval and Risk Management

Credit Policies

The Credit Policy Department functions as our centralized policy-making and planning division with respect to our lending activities. The Credit Policy Department formulates and revises our internal regulations on loan programs, sets basic lending guidelines on a country basis and gathers data from our various operating groups and produces various internal and external reports.

Credit Approval

We have multiple levels of loan approval authority, depending on the loan amount and other factors such as the nature of the credit, the conditions of the transaction, and whether the loan is secured. Our Executive Board of Directors can approve loans of any amount. The Chief Executive Committee, Credit Committee, Loan Officer Committee, Director Generals and Directors (Team Heads) each have authority to approve loans up to a specified amount. The amount differs depending on the type of loan and certain other factors, for example, whether a loan is collateralized or guaranteed.

At each level of authority, loan applications are reviewed on the basis of the feasibility of the project from a technical, financial and economic point of view in addition to evaluating the probability of recovery. In conducting such a review, the following factors are considered:

- eligibility of the transaction under our financing criteria;
- country risk of the country of the borrower and the country in which the related project is located;
- credit risk of the borrower;
- a supplier’s ability to perform under the related supply contract;

- legal disputes over the related project and supply contract; and
- availability of collateral.

When the credit rating of a prospective borrower does not meet our internal rating criteria, our policy is to ensure that the loans are either guaranteed by leading international banks or governments or made on a partially or fully secured basis. Guarantees are required if the credit rating of a prospective borrower does not meet our internal rating criteria. As of December 31, 2009, approximately 94% of our total outstanding loans were guaranteed by banks or governments and made on a partially or fully secured basis.

Risk Management

Our overall risk management policy is set by the Risk Management Committee, which meets on a quarterly basis and from time to time to establish tolerance limits for various exposures, whereas the overall risk management is overseen by the Risk Management Department, which is responsible for monitoring risk exposure.

The Risk Management Department reports our loan portfolio to the Financial Supervisory Service on a quarterly basis. The Risk Management Department also monitors our operating groups' compliance with internal guidelines and procedures. To manage liquidity risk, we review the strategy for the sources and uses of funds, with each division submitting projected sources and uses to the Treasury Department. The Risk Management Department and the Treasury Department continually monitor our overall liquidity and the Treasury Department prepares both weekly and monthly cash flow forecasts. Our policy is to maintain a liquidity level, which can cover loan disbursements for a period of two to three months going forward. We protect ourselves from potential liquidity squeezes by maintaining sufficient amount of liquid assets with additional back-up of short-term credit lines.

Our core lending activities expose us to market risk, mostly in the form of interest rate and foreign currency risks. The Risk Management Department reports six-month projections of our interest rate and foreign exchange gap positions to the Risk Management Committee on a quarterly basis. We also monitor changes in, and matches of, foreign currency assets and liabilities in order to reduce exposure to currency fluctuations.

One of the key components of our risk management policy, which also affects our fund-raising efforts, is to monitor matches of asset maturities and liability maturities. The average maturity as of December 31, 2009 for our Won- and foreign currency-denominated loans was six months and 42 months, respectively, and for Won- and foreign currency-denominated liabilities was six months and 34 months, respectively.

We follow an overall risk management process where we:

- determine the risk management objectives;
- identify key exposures;
- measure key risks; and
- monitor risk management results.

Our risk management system is a continuous system that is frequently evaluated and updated on an ongoing basis.

Capital Adequacy

Under the Financial Supervisory Service's guidelines on risk-adjusted capital which were introduced in consideration of the standards set by the Bank for International Settlements, all banks in Korea, including us, are required to maintain a capital adequacy ratio (Tier I and Tier II) of at least 8% on a consolidated basis. To the extent that we fail to maintain this ratio, the Korean regulatory authorities may require corrective measures ranging from management improvement recommendations to emergency measures such as disposal of assets. Beginning on January 1, 2008, the Financial Services Commission implemented the new Basel Capital Accord, referred to as Basel II, in Korea, substantially affecting the way risk is measured among Korean financial institutions, including us. Building upon the initial Basel Capital Accord of 1988, which focused primarily on credit risk, market risk, capital adequacy and asset soundness as a measure of risk, Basel II expands this approach to contemplate additional areas of risk such as operations risk. Basel II also institutes new measures that require us to take into account individual borrower credit risk and operations risk when calculating risk-weighted assets. As of December 31, 2009, our capital adequacy ratio was 11.3%, an increase from 8.7% as of December 31, 2008, which was primarily due to an increase in paid-in capital.

The following table sets forth our capital base and capital adequacy ratios reported as of December 31, 2007, 2008 and 2009:

	As of December 31,		
	2007	2008	2009
	(billions of Won, except for percentages)		
Tier I	₩ 4,291	₩ 4,696	₩ 5,858
Paid-in Capital	3,309	3,959	5,009
Retained Earnings	1,011	1,086	1,108
Deductions from Tier I Capital	(29)	(349)	(261)
Capital Adjustments	—	(138)	(140)
Deferred Tax Asset	(0.6)	(209)	(118)
Others	(28)	(2)	(3)
Tier II (General Loan Loss Reserves)	866	865	966
Deductions from all capital	—	—	—
Total Capital	5,157	5,561	6,822
Risk Adjusted Assets	46,707	63,893	60,632
Capital Adequacy Ratios			
Tier I	9.2%	7.3%	9.7%
Tier I and Tier II	11.0%	8.7%	11.3%

Source: Internal accounting records.

Overseas Operations

We maintain an international presence through 12 overseas representative offices, which are located in New York, Tokyo, Beijing, São Paolo, Paris, Washington D.C., Shanghai, New Delhi, Dubai, Moscow, Mexico City, and Tashkent.

We also have three wholly-owned subsidiaries, KEXIM Bank (UK) Ltd., London, KEXIM (Asia) Ltd., Hong Kong, and KEXIM Vietnam Leasing Co., Ltd., Ho Chi Minh City. These subsidiaries are engaged in the merchant banking and lease financing businesses, and assist us in raising overseas financing. We also own 85% of P.T. Koexim Mandiri Finance, a subsidiary in Jakarta, which is primarily engaged in the business of lease financing.

The table below sets forth brief details of our subsidiaries as of December 31, 2009:

	Principal Place of Business	Type of Business	Book Value	Bank's Holding
			(billions of Won)	(%)
Kexim Bank (UK) Ltd.	United Kingdom	Commercial Banking	₩ 46	100%
KEXIM (Asia) Ltd.	Hong Kong	Commercial Banking	38	100
P.T. Koexim Mandiri Finance	Indonesia	Leasing and Factoring	17	85
Kexim Vietnam Leasing Co., Ltd.	Vietnam	Leasing and Guarantees	8	100

Property

Our head office is located at 16-1 Yoido-dong, Youngdeungpo-gu, Seoul 150-996, Korea, a 34,820 square meter building completed in 1985 on a site of 9,110 square meters and owned by us. In addition to the head office, we own a staff training center located near Seoul on a site of 47,881 square meters. We also maintain 10 branches in Busan, Gwangju, Daegu, Changwon, Daejeon, Suwon, Inchon, Ulsan, Chungju and Jeonju. Our domestic branch offices and overseas representative offices are located in facilities held under long-term leases.

Management and Employees

Management

Our governance and management is the responsibility of our Board of Directors, which has authority to decide important matters relating to our business. The Board of Directors is chaired by our President and is comprised of five Directors consisting of the President, the Deputy President, one Executive Director and two Non-executive Directors. The President of Korea appoints our President upon the recommendation of the Minister of Strategy and Finance. The Minister of Strategy and Finance appoints the Deputy President and all the other Directors upon the recommendation of our President. All Board members serve for three years and are eligible for re-appointment for successive terms of office.

The members of the Board of Directors are currently as follows:

Name	Age	Executive Director Since	Position
Dong-soo Kim	55	February 13, 2009	Chairman and President
Dong-soo Park	56	December 29, 2009	Deputy President
Jin-kyung Kim	56	August 27, 2008	Executive Director
Seung-ho Choi	63	February 1, 2010	Non-executive Director
Woo-kyu Park	60	February 1, 2010	Non-executive Director

Our basic policy guidelines for activities are established by the Operations Committee. According to the By-laws, the Operations Committee is composed of officials nominated as follows:

- President of KEXIM;
- official of the Ministry of Strategy and Finance, nominated by the Minister of Strategy and Finance;
- official of the Ministry of Foreign Affairs and Trade, nominated by the Minister of Foreign Affairs and Trade;
- official of the Ministry of Knowledge Economy, nominated by the Minister of Knowledge Economy;

- official of the Ministry of Land, Transport and Maritime Affairs, nominated by the Minister of Land, Transport and Maritime Affairs;

- official of the Financial Services Commission, nominated by the Chairman of the Financial Services Commission;

- executive director of The Bank of Korea, nominated by the Governor of The Bank of Korea;

- executive director of the Korea Federation of Banks, nominated by the Chairman of the Korea Federation of Banks;

- representative of an exporters' association (Korea International Trade Association), nominated by the Minister of Strategy and Finance after consultation with the Minister of Knowledge Economy;

- executive director of the Korea Export Insurance Corporation established under the Export Insurance Act, nominated by the Chairman and President of the Korea Export Insurance Corporation; and

- up to two persons who have extensive knowledge and experience in international economic cooperation work, recommended by our Chairman and President and appointed by the Minister of Strategy and Finance.

The members of the Operations Committee are currently as follows:

Name	Age	Member Since	Position
Dong-soo Kim	55	February 13, 2009	Chairman and President of KEXIM
Je-yoon Shin	52	March 13, 2008	Deputy Minister for International Affairs, Ministry of Strategy and Finance
Ho-young Ahn	53	March 20, 2008	Deputy Minister for Trade, Ministry of Foreign Affairs and Trade
Dong-Geun Lee	53	February 6, 2009	Deputy Minister for Trade and Investment Policy, Ministry of Knowledge Economy
Sang-Woo Park	54	September 21, 2008	Director General for Construction Policy, Ministry of Land, Transport and Maritime Affairs
Hyouk-Se Kwon	53	February 10, 2009	Secretary General, Financial Services Commission
Han-keun Yun	58	April 26, 2006	Deputy Governor, The Bank of Korea
Tae-Sik Roh	56	March 16, 2009	Vice Chairman, Korea Federation of Banks
Young-Ho Oh	57	February 25, 2009	Executive Vice Chairman, Korea International Trade Association
Il-Soo Kwon	58	July 11, 2007	Deputy President, Korea Export Insurance Corporation
Seung-Hun Chun (Private Sector)	63	November 24, 2008	President, Korea Institute for Development Strategy
Eun-Joo Hong (Private Sector)	51	November 24, 2008	President, iMBC

Employees

As of December 31, 2009, we had 754 employees, among which 508 employees were members of our labor union. We have never experienced a work stoppage of a serious nature. Every year during the fourth quarter, the management and union negotiate and enter into a collective bargaining agreement that has a one-year duration. The most recent collective bargaining agreement was entered into in October 2009.

Financial Statements and the Auditors

The Minister of Strategy and Finance appoints our Auditor who is responsible for examining our financial operations and auditing our financial statements and records. The present Auditor is Dae-woo Lee, who was appointed for a three-year term on April 13, 2008.

We prepare our financial statements annually for submission to the Minister of Strategy and Finance, accompanied by an opinion of the Auditor. Although we are not legally required to have financial statements audited by external auditors, an independent public accounting firm has audited our non-consolidated financial statements commencing with such non-consolidated financial statements as of and for the year ended December 31, 1983 and consolidated financial statements commencing with such financial statements as of and for the year ended December 31, 1998. As of the date of this Offering Circular, our external auditor is KPMG Samjong Accounting Corp., located at 10th Floor, Star Tower, 737 Yeoksam-dong, Gangnam-gu, Seoul, Korea, which has audited our financial statements as of and for the years ended December 31, 2009 and 2008 included in this Offering Circular.

Our financial statements appearing in this Offering Circular were prepared in conformity with Korean law and in accordance with generally accepted accounting principles in the Republic, summarized in "Notes to Non-Consolidated Financial Statements of December 31, 2009 and 2008—Note 2". These principles and procedures differ in certain material respects from generally accepted accounting principles in the United States.

We recognize interest income on loans and debt securities on an accrual basis. However, interest income on delinquent and dishonored loans and debt securities, other than those collateralized with security deposits or guaranteed by financial institutions, is recognized on a cash basis. Interest expense is recorded on an accrual basis.

We classify securities that are actively and frequently bought and sold as trading securities. We classify debt securities with fixed or determinable payments and fixed maturities, and which we intend to hold to maturity, as held-to-maturity securities. We classify investments that are categorized as neither trading securities nor held-to-maturity securities as available-for-sale securities. We record our trading and available-for-sale securities, except for non-marketable equity securities classified as available-for-sale securities, at market value. We record our non-marketable equity securities classified as available-for-sale securities at the cost of acquisition. We record held-to-maturity securities at amortized cost. We recognize impairment losses on securities in current operations when the recoverable amounts are less than the acquisition cost of equity securities or amortized cost of debt securities.

We record debenture issuance costs as discounts on debentures and amortize them over the maturity period of the debentures using the effective interest method.

We record our equity investments in companies in which we exercise significant control or influence by using the equity method, pursuant to which we account for adjustments in the value of our investments resulting from changes to the investee's net asset value.

We record the value of our premises and equipment on our balance sheet on the basis of a revaluation conducted as of July 1, 1998. The Minister of Strategy and Finance approved the revaluation in accordance with applicable Korean law. We value additions to premises and equipment since such date at cost.

THE REPUBLIC OF KOREA

Land and History

Territory and Population

Located generally south of the 38th parallel on the Korean peninsula, The Republic of Korea covers about 38,000 square miles, approximately one-fourth of which is arable. The Republic has a population of approximately 48 million people. The country's largest city and capital, Seoul, has a population of about 11 million people.

Political History

Dr. Rhee Seungman, who was elected President in each of 1948, 1952, 1956 and 1960, dominated the years after the Republic's founding in 1948. Shortly after President Rhee's resignation in 1960 in response to student-led demonstrations, a group of military leaders headed by Park Chung Hee assumed power by coup. The military leaders established a civilian government, and the country elected Mr. Park as President in October 1963. President Park served as President until his assassination in 1979 following a period of increasing strife between the Government and its critics. The Government declared martial law and formed an interim government under Prime Minister Choi Kyu Hah, who became the next President. After clashes between the Government and its critics, President Choi resigned, and General Chun Doo Hwan, who took control of the Korean army, became President in 1980.

In late 1980, the country approved, by national referendum, a new Constitution, providing for indirect election of the President by an electoral college and for certain democratic reforms, and shortly thereafter, in early 1981, re-elected President Chun.

Responding to public demonstrations in 1987, the legislature revised the Constitution to provide for direct election of the President. In December 1987, Roh Tae Woo won the Presidency by a narrow plurality, after opposition parties led by Kim Young Sam and Kim Dae Jung failed to unite behind a single candidate. In February 1990, two opposition political parties, including the one led by Kim Young Sam, merged into President Roh's ruling Democratic Liberal Party.

In December 1992, the country elected Kim Young Sam as President. The election of a civilian and former opposition party leader considerably lessened the controversy concerning the legitimacy of the political regime. President Kim's administration reformed the political sector and deregulated and internationalized the Korean economy.

In December 1997, the country elected Kim Dae Jung as President. President Kim's party, the Millennium Democratic Party (formerly known as the National Congress for New Politics), formed a coalition with the United Liberal Democrats led by Kim Jong Pil, with Kim Jong Pil becoming the first prime minister in President Kim's administration. The coalition, which temporarily ended before the election held in April 2000, continued with the appointment of Lee Han Dong of the United Liberal Democrats as the Prime Minister in June 2000. The coalition again ended in September 2001.

In December 2002, the country elected Roh Moo Hyun as President. President Roh and his supporters left the Millennium Democratic Party in 2003 and formed a new party, the Uri Party, in November 2003. On 15 August 2007, 85 members of the National Assembly, previously belonging to the Uri Party, or the Democratic Party, formed the United New Democratic Party (the "UNDP"). The Uri Party merged into the UNDP in August 20, 2007.

In December 2007, the country elected Lee Myung-Bak as President. He commenced his term on February 25, 2008. The Lee administration's key policy priorities include:

- pursuing a lively market economy through deregulation, free trade and the attraction of foreign investment;
- establishing an efficient government by reorganizing government functions and privatizing state-owned enterprises;
- taking initiatives on the denuclearization of North Korea;
- seeking a productive welfare system based on customized welfare benefits and job training; and
- strengthening the competitiveness of Korea's education system.

Government and Politics

Government and Administrative Structure

Governmental authority in the Republic is centralized and concentrated in a strong Presidency. The President is elected by popular vote and can only serve one term of five years. The President chairs the State Council, which consists of the prime minister, the deputy prime ministers, the respective heads of Government ministries and the ministers of state. The President can select the members of the State Council and appoint or remove all other Government officials, except for elected local officials.

The President can veto new legislation and take emergency measures in cases of natural disaster, serious fiscal or economic crisis, state of war or other similar circumstances. The President must promptly seek the concurrence of the National Assembly for any emergency measures taken and failing to do so automatically invalidates the emergency measures. In the case of martial law, the President may declare martial law without the consent of the National Assembly; provided, however, that the National Assembly may request the President to rescind such martial law.

The National Assembly exercises the country's legislative power. The Constitution and the Election for Public Offices Act provide for the direct election of about 82% of the members of the National Assembly and the distribution of the remaining seats proportionately among parties winning more than 5 seats in the direct election or receiving over 3% of the popular vote. National Assembly members serve four-year terms. The National Assembly enacts laws, ratifies treaties and approves the national budget. The executive branch drafts most legislation and submits it to the National Assembly for approval.

The country's judicial branch comprises the Supreme Court, the Constitutional Court and lower courts of various levels. The President appoints the Chief Justice of the Supreme Court and appoints the other Justices of the Supreme Court upon the recommendation of the Chief Justice. All appointments to the Supreme Court require the consent of the National Assembly. The Chief Justice, with the consent of the conference of Supreme Court Justices, appoints all the other judges in Korea. Supreme Court Justices serve for six years and all other judges serve for ten years. Other than the Chief Justice, justices and judges may be reappointed to successive terms.

The President formally appoints all nine judges of the Constitutional Court, but three judges must be designated by the National Assembly and three by the Chief Justice of the Supreme Court. Constitutional Court judges serve for six years and may be reappointed to successive terms.

Administratively, the Republic comprises nine provinces and seven cities with provincial status: Seoul, Busan, Daegu, Incheon, Gwangju, Daejon and Ulsan. From 1961 to 1995, the national government controlled the provinces and the President appointed provincial officials. Local autonomy, including the election of provincial officials, was reintroduced in June 1995.

Political Organizations

Currently, there are two major political parties, the Grand National Party, or GNP, and the United New Democratic Party, or UNDP. The 18th legislative general election was held on April 9, 2008 and the term of the National Assembly members elected in the 18th legislative general election commenced on May 30, 2008.

As of May 31, 2010, the parties control the following number of seats in the National Assembly:

	GNP	UNDP	Others	Total
Number of Seats	169	88	40	297

Relations with North Korea

Relations between the Republic and North Korea have been tense over most of the Republic's history. The Korean War, which took place between 1950 and 1953 began with the invasion of the Republic by communist forces from North Korea and, following a military stalemate, an armistice was reached establishing a demilitarized zone monitored by the United Nations in the vicinity of the 38th parallel.

North Korea maintains a regular military force estimated at more than 1,000,000 troops, mostly concentrated near the northern border of the demilitarized zone. The Republic's military forces, composed of approximately 650,000 regular troops and almost 3.0 million reserves, maintain a state of military preparedness along the southern border of the demilitarized zone. In addition, the United States has historically maintained its military presence in the Republic. In October 2004, the United States and the Republic agreed to a three-phase withdrawal of approximately one-third of the 37,500 troops stationed in the Republic by the end of 2008. By the end of 2004, 5,000 U.S. troops departed the Republic in the first phase of such withdrawal and in the plan's second phase, the United States removed 5,000 troops by the end of 2006. In the final phase, another 2,500 U.S. troops were scheduled to depart by the end of 2008. In April 2008, however, the United States and the Republic decided not to proceed with the final phase of withdrawal and agreed to maintain 28,500 U.S. troops in the Republic. In February 2007, the United States and the Republic agreed to dissolve their joint command structure by 2012, which would allow the Republic to assume the command of its own armed forces in the event of war on the Korean peninsula.

The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of current and future events. In recent years, there have been heightened security concerns stemming from North Korea's nuclear weapons and long-range missile programs and increased uncertainty regarding North Korea's actions and possible responses from the international community. In December 2002, North Korea removed the seals and surveillance equipment from its Yongbyon nuclear power plant and evicted inspectors from the United Nations International Atomic Energy Agency. In January 2003, North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty. Since the renouncement, the Republic, the United States, North Korea, China, Japan and Russia have held numerous rounds of six party multi-lateral talks in an effort to resolve issues relating to North Korea's nuclear weapons program. In addition to conducting test flights of long-range missiles, North Korea announced in October 2006 that it had successfully conducted a nuclear test, which increased tensions in the region and elicited strong objections worldwide. In response, the United Nations Security Council passed a resolution that prohibits any United Nations member state from conducting transactions with North Korea in connection with any large scale arms and material or technology related to missile development or weapons of mass destruction and from providing luxury goods to North

Korea, imposes an asset freeze and travel ban on persons associated with North Korea's weapons program, and calls upon all United Nations member states to take cooperative action, including thorough inspection of cargo to or from North Korea. In response, North Korea agreed in February 2007 at the six-party talks to shut down and seal the Yongbyon nuclear facility, including the reprocessing facility, and readmit international inspectors to conduct all necessary monitoring and verifications. In October 2007, the Republic and North Korea held a summit meeting to discuss easing tensions and fostering peace on the Korean peninsula. Mr. Lee Myung-Bak, who became the President of the Republic in February 2008, has announced that he is open to dialogue with North Korea to discuss various issues, including North Korea's nuclear weapons program. In October 2008, North Korea agreed to a series of denuclearization verification measures, following the removal of North Korea from a list of state sponsors of terrorism maintained by the United States. On March 9, 2009, North Korea suspended transport of personnel and materials via land route in and out of Gaeseong Industrial Complex as a protest against an annual joint military exercise by the Republic and the United States, but fully reopened the borders on March 17, 2009. On April 5, 2009, North Korea launched a long-range rocket over the Pacific Ocean, claiming that the launch intended to put an orbital satellite into space. Fearing that the rocket launch may have been an attempt to test North Korea's long-range missile technology, the Republic, Japan and the United States have responded that the launch poses a threat to neighboring nations, and that it was in violation of the United Nations Security Council resolution adopted in 2006 against nuclear tests by North Korea. On April 13, 2009, the United Nations Security Council unanimously passed a resolution that condemned North Korea for the launch and decided to tighten sanctions against North Korea. On April 14, 2009, North Korea announced that it would permanently pull out of nuclear disarmament talks and restart its nuclear program. The International Atomic Energy Agency said its inspectors had been ordered to remove surveillance devices and other equipment at the Yongbyon nuclear plant, and to leave North Korea as soon as possible. On May 25, 2009, North Korea announced that it had successfully conducted a second nuclear test and test-fired three short-range, surface-to-air missiles. In response, the United Nations Security Council unanimously passed a resolution on June 12, 2009 that condemned North Korea for the nuclear test and tightened sanctions against North Korea.

In addition, there recently has been increased uncertainty with respect to the future of North Korea's political leadership and concern regarding its implications for economic and political stability in the region. In June 2009, U.S. and Korean officials announced that Kim Jong-il, the North Korean ruler who reportedly suffered a stroke in August 2008, designated his third son, who is reportedly in his twenties, to become his successor. The succession plan, however, remains uncertain. In addition, North Korea's economy faces severe challenges. For example, on November 30, 2009, the North Korean government redenominated its currency at a ratio of 100 to 1 as part of a currency reform undertaken in an attempt to control inflation and reduce income gaps. In tandem with the currency redenomination, the North Korean government banned the use or possession of foreign currency by its residents and closed down privately run markets, which led to severe inflation and food shortages. Such developments may further aggravate social and political tensions within North Korea.

There can be no assurance that the level of tension on the Korean peninsula will not escalate in the future or that such escalation will not have a material adverse impact on the Republic's economy or its ability to obtain future funding. Any further increase in tension, which may occur, for example, if North Korea experiences a leadership crisis, high-level contacts between Korea and North Korea break down or military hostilities occur, could have a material adverse effect on the Republic's economy.

Over the longer term, reunification of the two Koreas could occur. Reunification may entail a significant economic commitment by the Republic.

Foreign Relations and International Organizations

The Republic maintains diplomatic relations with most nations of the world, most importantly with the United States with which it entered into a mutual defense treaty and several economic agreements. The Republic also has important relationships with Japan and China, its largest trading partners after the United States.

The Republic belongs to a number of supranational organizations, including:

- the International Monetary Fund, or the IMF;
- the World Bank;
- the Asian Development Bank, or ADB;
- the Multilateral Investment Guarantee Agency;
- the International Finance Corporation;
- the International Development Association;
- the African Development Bank;
- the European Bank for Reconstruction and Development;
- the Bank for International Settlements;
- the World Trade Organization, or WTO; and
- the Inter-American Development Bank, or IDB.

In September 1991, the Republic and North Korea became members of the United Nations. During the 1996 and 1997 sessions, the Republic served as a non-permanent member of the United Nations Security Council.

In March 1995, the Republic applied for admission to the Organization for Economic Cooperation and Development, or the OECD, which the Republic officially joined as the twenty-ninth regular member in December 1996.

The Economy

Current Worldwide Economic and Financial Difficulties

Recent difficulties affecting the U.S. and global financial sectors, adverse conditions and volatility in the U.S. and worldwide credit and financial markets, fluctuations in oil and commodity prices and the general weakness of the U.S. and global economy during the second half of 2008 and first half of 2009 increased the uncertainty of global economic prospects in general and adversely affected, and may continue to adversely affect, the Korean economy. During the second and third quarter of 2007, credit markets in the United States started to experience difficult conditions and volatility that in turn have affected worldwide financial markets. In particular, in late July and early August 2007, market uncertainty in the U.S. sub-prime mortgage sector increased dramatically and further expanded to other markets such as those for leveraged finance, collateralized debt obligations and other structured products. In September and October 2008, liquidity and credit concerns and volatility in the global credit and financial markets increased significantly with the bankruptcy or acquisition of, and government assistance to, several major U.S. and European financial institutions. These developments resulted in reduced liquidity, greater volatility, widening of credit spreads and a lack of price transparency in the United States and global credit and financial markets.

As liquidity and credit concerns and volatility in the global financial markets increased significantly since September 2008, the value of the Won relative to the U.S. dollar depreciated at an accelerated rate during the fourth quarter of 2008 and first half of 2009. See "Monetary Policy—Foreign Exchange." Such depreciation of the Won increased the cost of imported goods and services and the Won revenue needed by Korean companies to service foreign currency-denominated debt. Furthermore, as a result of adverse global and Korean economic conditions, there was a significant overall decline and continuing volatility in the stock prices of Korean companies. The Korea Composite Stock Price Index declined by 27.8% from 1,852.0 on May 30, 2008 to 1,336.7 on April 16, 2009. See "The Financial System—Securities Markets." Further declines in the Korea Composite Stock Price Index and large amounts of sales of Korean securities by foreign investors and subsequent repatriation of the proceeds of such sales may continue to adversely affect the value of the Won, the foreign currency reserves held by financial institutions in Korea, and the ability of Korean companies to raise capital. In addition, increases in credit spreads, as well as limitations on the availability of credit resulting from heightened concerns about the stability of the markets generally and the strength of counterparties specifically that led many lenders and institutional investors to reduce or cease funding to borrowers, adversely affected Korean banks' ability to borrow, particularly with respect to foreign currency funding, during the fourth quarter of 2008 and first half of 2009. In the event that such difficult conditions in the global credit markets continue, Korean banks may be forced to fund their operations at a higher cost or may be unable to raise as much funding as they need to support their lending and other activities.

In response to these developments, legislators and financial regulators in the United States and other jurisdictions, including Korea, implemented a number of policy measures designed to add stability to the financial markets, including the provision of direct and indirect assistance to distressed financial institutions. In particular, the Government has implemented or announced, among other things, the following measures during the fourth quarter of 2008 and the first half of 2009:

- in October 2008, the Government implemented a guarantee program to guarantee foreign currency-denominated debt incurred by Korean banks and their overseas branches between October 20, 2008 and June 30, 2009 (subsequently extended to December 31, 2009), up to an aggregate amount of US$100 billion, for a period of three years (subsequently extended to five years) from the date such debt was incurred;

- in October 2008, The Bank of Korea established a temporary reciprocal currency swap arrangement with the Federal Reserve Board of the United States for up to US$30 billion, effective until April 30, 2009 (subsequently extended to October 30, 2009). The Bank of Korea provided U.S. dollar liquidity, through competitive auction facilities, to financial institutions established in Korea, using funds from the swap line;

- in December 2008, a ₩10 trillion bond market stabilization fund was established to purchase financial and corporate bonds and debentures in order to provide liquidity to companies and financial institutions;

- in December 2008, The Bank of Korea agreed with the People's Bank of China to establish a bilateral currency swap arrangement for up to ₩38 trillion, effective for three years, and agreed with the Bank of Japan to increase the maximum amount of their bilateral swap arrangement from US$3 billion to US$20 billion, effective until April 30, 2009;

- in December 2008 and March 2009, the Government, through Korea Asset Management Corporation, purchased non-performing loans held by savings banks in the amount of approximately ₩1.7 trillion;

- in February 2009, the Government announced its plan to contribute capital to Korean banks through a ₩20 trillion bank recapitalization fund and received applications from 14 banks;

- during the first quarter of 2009, the Government, through the Bank of Korea and the Korea Development Bank, purchased from Korean banks hybrid securities and subordinated bonds in the amount of approximately ₩4 trillion;

- during the fourth quarter of 2008 and the first quarter of 2009, The Bank of Korea decreased the policy rate by a total of 3.25% points to 2.00% in order to address financial market instability and to help combat the slowdown of the domestic economy; and

- in April 2009, the National Assembly authorized the expansion of the 2009 national budget by ₩28.4 trillion to provide stimulus for Korean economy. The stimulus plan includes ₩17.2 trillion to be used for cash handouts, low-interest loans, infrastructure spending and job training, as well as ₩11.2 trillion in various tax incentives.

However, the overall impact of these legislative and regulatory efforts on the financial markets is uncertain, and they may not have the intended stabilizing effects.

While the rate of deterioration of the global economy slowed in the second half of 2009 and into 2010, with some signs of stabilization and possible improvement, the overall prospects for the Korean and global economy in 2010 and beyond remain uncertain. For example, in November 2009, the Dubai government announced a moratorium on the outstanding debt of Dubai World, a government-affiliated investment company. In addition, many governments worldwide, in particular in Greece and other countries in southern Europe, are showing increasing signs of fiscal stress and may experience difficulties in meeting their debt service requirements. Any of these or other developments could potentially trigger another financial and economic crisis. Furthermore, while many governments worldwide are considering or are in the process of implementing "exit strategies", in the form of reduced government spending, higher interest rates or otherwise, with respect to the economic stimulus measures adopted in response to the global financial crisis, such strategies may, for reasons related to timing, magnitude or other factors, have the unintended consequence of prolonging or worsening global economic and financial difficulties. In light of the high level of interdependence of the global economy, any of the foregoing developments could have a material adverse effect on the Korean economy and financial markets.

Developments that could hurt Korea's economy in the future include:

- continuing difficulties in the housing and financial sectors in the United States and elsewhere and the resulting adverse effects on the global financial markets;

- adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including fluctuation of the U.S. dollar or Japanese yen exchange rates or revaluation of the Chinese renminbi), interest rates and stock markets;

- substantial decreases in the market prices of Korean real estate;

- increasing delinquencies and credit defaults by consumer and small and medium sized enterprise borrowers;

- declines in consumer confidence and a slowdown in consumer spending;
- adverse developments in the economies of countries that are important export markets for Korea, such as the United States, Japan and China, or in emerging market economies in Asia or elsewhere;
- the continued emergence of the Chinese economy, to the extent its benefits (such as increased exports to China) are outweighed by its costs (such as competition in export markets or for foreign investment and the relocation of the manufacturing base from Korea to China);
- social and labor unrest;
- a decrease in tax revenues and a substantial increase in the Korean government's expenditures for fiscal stimulus measures, unemployment compensation and other economic and social programs that, together, would lead to an increased Korean government budget deficit;
- financial problems or lack of progress in the restructuring of Korean conglomerates, other large troubled companies, their suppliers or the financial sector;
- loss of investor confidence arising from corporate accounting irregularities and corporate governance issues at certain Korean conglomerates;
- the economic impact of any pending or future free trade agreements, including the Free Trade Agreement recently negotiated with the United States;
- geo-political uncertainty and risk of further attacks by terrorist groups around the world;
- the recurrence of severe acute respiratory syndrome, or SARS, or an outbreak of avian flu in Asia and other parts of the world;
- deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from trade disputes or disagreements in foreign policy;
- political uncertainty or increasing strife among or within political parties in Korea;
- hostilities involving oil producing countries in the Middle East and any material disruption in the supply of oil or increase in the price of oil; and
- an increase in the level of tension or an outbreak of hostilities between North Korea and Korea or the United States.

Gross Domestic Product

Gross domestic product, or GDP, measures the market value of all final goods and services produced within a country for a given period and reveals whether a country's productive output rises or falls over time. Economists present GDP in both current market prices and "real" or "inflation-adjusted" terms. In March 2009, the Republic adopted a method known as the "chain-linked" measure of GDP, replacing the previous fixed-base, or "constant" measure of GDP, to show the real growth of the aggregate economic activity, as recommended by the System of National Accounts 1993. GDP at current market prices values a country's output using the actual prices of each year, whereas the "chain-linked" measure of GDP is compiled by using "chained indices" linking volume growth between consecutive time periods.

The following table sets out the composition of the Republic's GDP at current and chained 2005 year prices and the annual average increase in the Republic's GDP.

Gross Domestic Product

	2005	2006	2007	2008	2009(3)	As % of GDP 2009(3)
			(billions of Won)			
Gross Domestic Product at Current Market Prices:						
Private	465,430.5	494,917.6	530,264.1	561,627.5	577,404.7	54.3
Government	120,010.1	131,900.7	143,262.2	156,944.1	170,255.6	16.0
Gross Capital Formation	256,865.9	269,187.8	286,917.6	320,368.8	275,542.3	25.9
Exports of Goods and Services	339,756.8	360,625.3	408,754.1	544,110.7	530,470.6	49.9
Less Imports of Goods and Services	(316,377.6)	(348,022.9)	(394,026.2)	(556,197.9)	(488,825.4)	(46.0)
Statistical Discrepancy	(444.8)	135.3	(158.9)	(401.4)	(1,788.8)	(0.2)
Expenditures on Gross Domestic Product	865,240.9	908,743.8	975,013.0	1,026,451.8	1,063,059.1	100.0
Net Factor Income from the Rest of the World	(813.7)	1,390.3	1,800.9	7,663.6	5,595.0	(0.0)
Gross National Income(1)	864,427.3	910,134.2	976,813.9	1,034,115.4	1,068,654.1	100.0
Gross Domestic Product at Chained 2005 Year Prices:						
Private	465,430.5	487,439.0	512,094.8	518,820.8	520,062.6	53.0
Government	120,010.1	127,908.9	134,806.9	140,633.6	147,605.6	15.1
Gross Capital Formation	256,865.9	268,215.8	277,729.0	277,772.8	236,000.5	24.1
Exports of Goods and Services	339,756.8	378,374.7	426,070.6	454,248.9	450,462.1	45.9
Less Imports of Goods and Services	(316,377.6)	(352,087.7)	(393,207.1)	(410,567.7)	(376,932.3)	(38.4)
Statistical Discrepancy	(444.8)	198.3	91.3	(323.6)	(293.8)	0.0
Expenditures on Gross Domestic Product(2)	865,240.9	910,048.9	956,514.5	978,498.8	980,413.1	100.0
Net Factor Income from the Rest of the World in the Terms of Trade	(813.7)	1,341.6	1,622.9	6,776.2	4,811.4	0.5
Trading Gains and Losses from Changes in the Terms of Trade	0.0	(13,196.4)	(16,827.8)	(50,031.9)	(36,302.7)	(3.7)
Gross National Income(4)	864,427.3	898,194.2	941,317.3	935,248.8	948,890.2	96.8
Percentage Increase (Decrease) of GDP over Previous Year At Current Prices	4.6	5.0	7.3	5.3	3.6	—
At Chained 2005 Year Prices	4.0	5.2	5.1	2.3	0.2	—

(1) GDP plus net factor income from the rest of the world is equal to the Republic's gross national product.
(2) Under the "chain-linked" measure of GDP, the components of GDP will not necessarily add to the total GDP.
(3) Preliminary.
(4) Under the "chain-linked" measure of Gross National Income, the components of Gross National Income will not necessarily add to the total Gross National Income.

Source: The Bank of Korea.

The following tables set out the Republic's GDP by economic sector at current and chained 2005 year prices:

Gross Domestic Product by Economic Sector
(at current market prices)

	2005	2006	2007	2008	2009[1]	As % of GDP 2009[1]
			(billions of Won)			
Industrial Sectors:						
Agriculture, Forestry and Fisheries	25,853.0	25,751.2	25,208.8	24,686.0	24,928.8	2.3
Mining and Manufacturing	215,639.1	222,865.9	240,612.1	258,545.4	267,953.3	24.3
Mining and Quarrying..............	1,992.9	1,925.8	2,001.2	2,336.0	2,170.3	0.2
Manufacturing	213,646.2	220,940.1	238,610.9	256,209.4	265,783.0	24.1
Electricity, Gas and Water	17,611.5	18,546.9	19,155.3	12,298.6	17,412.8	1.6
Construction	59,284.5	61,359.3	64,979.0	64,612.2	66,472.3	6.3
Services:	457,510.7	486,162.9	524,826.9	559,545.8	581,464.1	54.7
Wholesale and Retail Trade, Restaurants and Hotels	82,469.7	87,320.8	93,405.5	100,419.3	105,343.0	0.0
Transportation, Storage and Communication	35,292.2	36,424.2	40,070.5	41,613.1	42,145.4	9.9
Financial Intermediation	53,394.8	55,234.7	61,114.0	65,132.2	66,283.3	0.0
Real Estate, Renting and Business Activities..................................	63,215.4	65,534.7	69,435.7	71,886.2	74,344.6	4.0
Information, Communication.....	36,255.7	37,969.9	39,198.1	39,666.8	40,195.2	6.2
Business Activities.....................	37,892.5	41,292.3	45,056.0	49,905.7	49,699.6	0.0
Public Administration and Defense; Compulsory Social Security	48,200.9	52,262.6	55,515.9	59,396.8	64,430.5	7.0
Education....................................	46,502.1	51,036.7	55,554.4	60,940.1	63,430.9	3.8
Health and Social Work	28,558.2	31,617.7	35,451.6	38,452.1	43,080.3	4.7
Recreational, Cultural and Sporting	10,110.7	10,859.2	12,209.1	13,048.9	13,139.3	0.0
Other Service Activities.............	15,609.5	16,610.1	17,816.1	19,084.6	19,372.0	0.0
Taxes less subsidies on products .	89,351.3	94,057.8	100,231.0	106,763.8	104,827.7	6.1
Gross Domestic Product at Current Prices	865,240.9	908,743.8	975,013.0	1,026,451.8	1,063,059.1	100.0
Net Factor Income from the Rest of the World..................................	(813.7)	1,390.3	1,800.9	7,663.6	5,595.0	0.5
Gross National Income at Current Price	864,427.3	910,134.2	976,813.9	1,034,115.4	1,068,654.1	100.5

(1) Preliminary.
Source: The Bank of Korea.

Gross Domestic Product by Economic Sector
(at chained 2005 year prices)

	2005	2006	2007	2008	2009(1)	As % of GDP 2009(1)
			(billions of Won)			
Industrial Sectors:						
Agriculture, Forestry and Fisheries	25,853.0	26,240.2	27,294.0	28,826.9	29,297.9	3.0
Mining and Manufacturing.......	215,639.1	232,884.5	249,317.9	254,658.8	252,223.0	25.7
Mining and Quarrying.........	1,992.9	1,991.9	1,909.8	1,922.1	1,894.3	0.2
Manufacturing.....................	213,646.2	230,892.6	247,408.1	254,466.7	250,328.7	25.5
Electricity, Gas and Water	17,611.5	18,332.9	19,026.2	20,199.0	21,182.0	2.2
Construction	59,284.5	60,564.4	62,134.9	60,611.1	61,749.6	6.3
Services:	457,501.7	477,658.0	502,050.0	515,983.6	520,895.6	53.1
Wholesale and Retail Trade, Restaurants and Hotels	82,469.7	85,792.6	90,291.3	91,512.4	90,979.0	9.3
Transportation and Storage	35,292.2	37,082.6	39,136.8	41,033.4	39,224.2	4.0
Financial Intermediation...........	53,394.8	55,611.7	61,614.4	64,612.2	67,137.2	6.8
Real Estate, Renting and Business Activities................	63,215.4	64,603.9	65,524.8	66,491.6	66,607.9	6.8
Information and Communication	36,255.7	38,238.7	39,664.7	41,024.7	41,261.2	4.2
Business Activities	37,892.5	39,720.8	41,800.2	42,990.6	42,075.6	4.3
Public Administration and Defense: Compulsory Social Security	48,200.9	50,520.8	52,183.9	52,903.0	54,691.9	5.6
Education	46,502.1	48,532.9	49,971.2	51,619.6	52,209.5	5.3
Health and Social Work	28,558.2	30,389.3	32,905.8	34,197.6	37,215.4	3.8
Culture and Entertainment Services	10,110.7	10,744.2	11,781.1	12,175.8	12,050.6	1.2
Other Service Activities	15,609.5	16,420.5	17,175.8	17,422.7	17,443.1	1.8
Taxes less subsidies on products .	89,351.3	94,368.8	96,992.4	97,090.1	95,806.8	9.8
Gross Domestic Product at Market Prices(2)	865,240.9	910,048.9	956,514.5	978,498.8	980,413.1	100.0

(1) Preliminary.
(2) Under the "chain-linked" measure of GDP, the components of GDP will not necessarily add to the total GDP.
Source: The Bank of Korea.

GDP growth in 2005 was 4.0% at chained 2005 year prices, as aggregate private and general government consumption expenditures increased by 4.6% and gross domestic fixed capital formation increased by 1.9%, each compared with 2004.

GDP growth in 2006 was 5.2% at chained 2005 year prices, as aggregate private and general government consumption expenditures increased by 5.1% and gross domestic fixed capital formation increased by 3.4%, each compared with 2005.

GDP growth in 2007 was 5.1% at chained 2005 year prices, as aggregate private and general government consumption expenditures increased by 5.1% and gross domestic fixed capital formation increased by 4.2%, each compared with 2006.

GDP growth in 2008 was 2.3% at chained 2005 year prices, as aggregate private and general government consumption expenditures increased by 2.0% and gross domestic fixed capital formation decreased by 1.9%, each compared with 2007.

Based on preliminary data, GDP growth in 2009 was 0.2% at chained 2005 year prices, as aggregate private and general government consumption expenditures increased by 1.3% but gross domestic fixed capital formation decreased by 0.2%, each compared with 2008.

Principal Sectors of the Economy

Industrial Sectors

The following table sets out production indices for the principal industrial products of the Republic and their relative contribution to total industrial production:

Industrial Production
(2005 = 100)

	Index Weight[1)]	2005	2006	2007	2008	2009
All Industries	10,000.0	100	108.4	115.9	119.4	119.0
Mining and Manufacturing	9,458.5	100	108.6	116.3	119.7	119.1
Mining	36.5	100	95.8	91.5	80.9	87.0
Petroleum, Crude Petroleum and Natural Gas	8.7	100	93.4	82.1	65.7	89.1
Metal Ores	0.5	100	113.2	171.0	154.8	122.2
Non-metallic Minerals	27.3	100	96.3	93.0	84.4	85.6
Manufacturing	9,422.0	100	108.7	116.4	119.9	119.2
Food Products	479.2	100	101.7	101.8	100.5	99.1
Beverage Products	159.0	100	99.4	101.7	104.7	99.7
Tobacco Products	55.1	100	111.9	116.2	120.8	120.3
Textiles	226.0	100	100.2	98.9	91.2	85.5
Wearing Apparel, Clothing Accessories and Fur Articles	174.6	100	109.6	116.3	117.2	112.5
Tanning and Dressing of Leather, Luggage and Footwear	47.9	100	102.5	100.5	95.7	86.0
Wood and Products of Wood and Cork (Except Furniture)	46.7	100	109.6	107.1	100.0	87.2
Pulp, Paper and Paper Products	145.0	100	102.1	104.8	103.3	100.2
Printing and Reproduction of Recorded Media	77.0	100	102.0	101.8	110.6	100.1
Coke, hard-coal and lignite fuel briquettes and Refined Petroleum Products	315.2	100	101.3	102.5	103.2	102.0
Chemicals and Chemical Products	772.2	100	102.5	109.6	110.4	116.3
Pharmaceuticals, Medicinal Chemicals and Botanical Products	187.1	100	111.2	120.6	130.3	134.7
Rubber and Plastic Products	434.2	100	106.8	113.0	109.2	100.5
Non-metallic Minerals	309.9	100	106.1	112.2	113.4	111.4
Basic Metals	753.2	100	103.7	108.4	109.1	100.3
Fabricated Metal Products	490.8	100	106.3	112.0	116.0	106.5
Electronic Components, Computer, Radio, Television and	1,970.4	100	122.3	138.9	152.0	

	Index Weight[1]	2005	2006	2007	2008	2009[2]
Communication Equipment and Apparatuses						163.5
Medical, Precision and Optical Instruments, Watches and Clocks	102.8	100	107.3	112.5	116.9	118.5
Electrical Equipment..................	449.5	100	100.3	104.8	111.5	114.4
Other Machinery and Equipment	737.5	100	109.5	120.4	119.8	107.3
Motor Vehicles, Trailers and Semitrailers...............................	1,101.2	100	108.0	114.8	110.6	103.4
Other Transport Equipment	254.3	100	108.3	115.9	145.1	160.3
Furniture.....................................	79.0	100	101.4	100.6	96.6	91.7
Other Products............................	54.2	100	94.8	93.9	78.3	74.7
Electricity, Gas.............................	541.5	100	104.1	108.8	114.6	116.4
Publishing activities	109.3	100	101.2	96.0	94.8	91.2
Total Index (including Publishing Activities)	10,109.3	100	108.3	115.7	119.2	118.7

(1) Index weights were established on the basis of an industrial census in 2005 and reflect the average annual value added by production in each of the classifications shown, expressed as a percentage of total value added in the mining, manufacturing and electricity and gas industries in that year.

(2) Preliminary

Source: The Bank of Korea; Korea National Statistical Office.

Industrial production increased by 6.3% in 2005, primarily due to strong exports and increased domestic consumption. Industrial production increased by 8.4% in 2006, primarily due to increased exports and domestic consumption. Industrial production increased by 6.9% in 2007, primarily due to solid export growth and domestic consumption. Industrial production growth was only 3.4% in 2008, primarily due to a slowdown in growth of exports and domestic consumption as a result of adverse global and Korean economic conditions beginning in the second half of 2008. Based on preliminary data, industrial production decreased by 0.8% in 2009.

Manufacturing

The manufacturing sector increased production by 6.3% in 2005, 8.7% in 2006, 7.1% in 2007 and 3.4% in 2008. Based on preliminary data, in 2009, the manufacturing sector decreased production by 0.9%.

Light Industry. In 2005, light industry recorded a 2.6% decrease due to decreased production of textile, wood products, publishing and printing, furniture and non-metallic mineral products. In 2006, light industry recorded a 3.6% increase. In 2007, light industry recorded a 2.0% increase. In 2008, light industry recorded a decrease of 2.1%.

Automobiles. In 2005, automobile production increased by 6.6%, domestic sales volume recorded an increase of 4.5% and export sales volume recorded an increase of 8.7%, compared with 2004. In 2006, automobile production increased by 3.8%, domestic sales volume recorded an increase of 1.9% and export sales volume recorded an increase of 2.4%, compared with 2005. In 2007, automobile production increased by 6.4%, domestic sales volume recorded an increase of 4.7% and export sales volume recorded an increase of 7.5%, compared with 2006. In 2008, automobile production decreased by 6.4%, domestic sales volume recorded a decrease of 5.3% and export sales volume recorded a decrease of 5.7%, compared with 2007, primarily due to a decrease in the domestic and global demand for automobiles as a result of adverse global and Korean economic conditions. Based on preliminary data, in 2009, automobile production decreased by 8.2%, domestic sales volume recorded an increase of 20.7% and export sales volume recorded a decrease of 19.9%, compared with 2008.

Electronics. In 2005, electronics production increased by 17.6% and exports increased by 16.5%, each compared with 2004 primarily due to continued growth in exports of semiconductor memory chips and global information technology products. In 2005, export sales of semiconductor memory chips constituted approximately 10.5% of the Republic's total exports. In 2006, electronics production increased by 22.3% and exports increased by 18.6%, each compared with 2005. In 2006, export sales of semiconductor memory chips constituted approximately 11.5% of the Republic's total exports. In 2007, electronics production increased by 13.6% and exports increased by 13.7%, each compared with 2006. In 2007, export sales of semiconductor memory chips constituted approximately 10.5% of the Republic's total exports. In 2008, electronics production increased by 9.4% and exports increased by 8.9%, each compared with 2007. In 2008, export sales of semiconductor memory chips constituted approximately 7.8% of the Republic's total exports.

Iron and Steel. In 2005, crude steel production totaled 47.8 million tons, an increase of 0.6% from 2004. Domestic sales volume decreased by 2.7% but export sales volume increased by 7.8% due to continued strong demand in China. In 2006, crude steel production totaled 48.5 million tons, an increase of 1.3% from 2005. Domestic sales volume decreased by 4.1% but export sales volume increased by 11.9%. In 2007, crude steel production totaled 51.5 million tons, an increase of 6.3% from 2006. Domestic sales volume increased by 7.0% and export sales volume increased by 5.2%. In 2008, crude steel production totaled 53.3 million tons, an increase of 3.8% from 2007. Domestic sales volume increased by 0.5% and export sales volume increased by 8.6%. Based on preliminary data, in 2009, crude steel production totaled 48.6 million tons, a decrease of 8.9% from 2008. Domestic sales volume and export sales volume decreased by 13.8% and 1.2%, respectively.

Shipbuilding. In 2005, the Republic's shipbuilding orders amounted to 12.2 million compensated gross tons, a decrease of 21.8% compared to 2004. In 2006, the Republic's shipbuilding orders amounted to 20.6 million compensated gross tons, an increase of 68.9% compared to 2005. In 2007, the Republic's shipbuilding orders amounted to 33.0 million compensated gross tons, an increase of 60.2% compared to 2006. In 2008, the Republic's shipbuilding orders amounted to 17.7 million compensated gross tons, a decrease of 46.4% compared to 2007. The shipbuilding industry is currently experiencing a downturn as a result of a decrease in ship orders due to adverse global economic conditions.

Agriculture, Forestry and Fisheries

The Government's agricultural policy has traditionally focused on:

- grain production;
- development of irrigation systems;
- land consolidation and reclamation;
- seed improvement;
- mechanization measures to combat drought and flood damage; and
- increasing agricultural incomes.

Recently, however, the Government has increased emphasis on cultivating profitable crops and strengthening international competitiveness in anticipation of opening the domestic agricultural market.

In 2005, rice production increased 6.7% from 2004 to 4.8 million tons. In 2006, rice production decreased 2.1% from 2005 to 4.7 million tons. In 2007, rice production decreased 6.4% from 2006 to 4.4

million tons. In 2008, rice production increased 9.1% from 2007 to 4.8 million tons. Based on preliminary data, in 2009, rice production increased 2.1% from 2008 to 4.9 million tons. Due to limited crop yields resulting from geographical and physical constraints, the Republic depends on imports for certain basic foodstuffs. In 2004, 2005, 2006 and 2007, the Republic's self sufficiency ratio was 50.3%, 54.0%, 53.6% and 51.1%, respectively.

The Government is seeking to develop the fishing industry by encouraging the building of large fishing vessels and modernizing fishing equipment, marketing techniques and distribution outlets.

In 2005, the agriculture, forestry and fisheries industry increased by 1.3% compared to 2004 primarily due to slightly increased production of rice, fruits and corns. In 2006, the agriculture, forestry and fisheries industry increased by 1.5% compared to 2005 primarily due to an increase in the cultivation and livestock industry. In 2007, the agriculture, forestry and fisheries industry increased by 4.0% compared to 2006 primarily due to an increase in fishing catch which offset a decrease in the production of rice. Based on preliminary data, in 2008, the agriculture, forestry and fisheries industry increased by 5.5% compared to 2007. Based on preliminary data, in 2009, the agriculture, forestry and fisheries industry increased by 1.6% compared to 2008.

Construction

In 2005, the construction industry decreased by 0.3% compared to 2004 primarily due to a slight decrease in residential and commercial construction. In 2006, the construction industry increased by 2.2% compared to 2005 primarily due to an increase in the construction of residential and commercial buildings. In 2007, the construction industry increased by 2.6% compared to 2006 primarily due to an increase in the construction of commercial buildings which offset a slight decrease in the construction of residential buildings. Based on preliminary data, in 2008, the construction industry decreased by 2.4% compared to 2007 primarily due to a significant decrease in the construction of commercial and residential buildings. Based on preliminary data, in 2009, the construction industry increased by 1.9% compared to 2008.

The construction industry is currently experiencing a significant downturn, due to excessive investment in recent years in residential property development projects, stagnation of real property prices and reduced demand for residential property, especially in areas outside of Seoul, as a result of deteriorating conditions in the Korean economy. The Government has recently taken measures to support the Korean construction industry, including a ₩5 trillion program to buy unsold housing units and land from construction companies. However, the effect of these measures is uncertain and the construction industry may continue to experience adverse conditions.

Electricity and Gas

The following table sets out the Republic's dependence on imports for energy consumption:

Dependence on Imports for Energy Consumption

	Total Energy Consumption	Imports	Imports Dependence Ratio
	(millions of tons of oil equivalents, except ratios)		
2004	220.2	213.0	96.7
2005	228.6	220.9	96.6
2006	233.4	225.2	96.5
2007	236.5	228.3	96.5
2008	240.8	232.0	96.4

Source: Korea Energy Economics Institute.

Korea has almost no domestic oil or gas production and depends on imported oil and gas to meet its energy requirements. Accordingly, the international prices of oil and gas significantly affect the Korean economy. Any significant long-term increase in the prices of oil and gas will increase inflationary pressures in Korea and adversely affect the Republic's balance of trade.

To reduce its dependence on oil and gas imports, the Government has encouraged energy conservation and energy source diversification emphasizing nuclear energy. The following table sets out the principal primary sources of energy consumed in the Republic, expressed in oil equivalents and as a percentage of total energy consumption.

Consumption of Energy by Source

	Coal		Petroleum		Nuclear		Others		Total	
	Quantity	%	Quantity	%	Quantity	%	Quantity	%	Quantity	%
2004	53.1	24.1	100.6	45.7	32.7	14.8	33.8	15.4	220.2	100.0
2005	54.8	24.0	101.5	44.4	36.7	16.1	36.1	15.5	228.6	100.0
2006	56.7	24.3	101.8	43.6	37.2	15.9	36.2	16.2	233.4	100.0
2007	59.7	25.2	105.5	44.6	30.7	13.0	40.6	17.2	236.5	100.0
2008(1)	66.1	27.5	100.2	41.8	32.5	13.5	42.0	17.4	240.8	100.0

Source: Korea Energy Economics Institute.

The Republic's first nuclear power plant went into full operation in 1978 with a rated generating capacity of 587 megawatts. Construction of an additional 18 nuclear power plants was completed by July 2004, adding 16,129 megawatts of generating capacity. The Republic's total nuclear power generating capacity is estimated to be 17,716 megawatts as of December 31, 2008.

Services Sector

In 2005, the transportation and storage sector increased by 2.9%, the financial intermediation sector increased by 5.7% and the real estate, renting and business activities sector increased by 3.4%, each compared with 2004. In 2006, the transportation and storage sector increased by 5.1%, the financial intermediation sector increased by 4.2% and the real estate, renting and business activities sector increased by 2.2%, each compared with 2005. In 2007, the transportation and storage sector increased by 5.5%, the financial intermediation sector increased by 10.8% and the real estate, renting and business activities sector increased by 1.4%, each compared with 2006. Based on preliminary data, in 2008, the transportation and storage sector increased by 3.5%, the financial intermediation sector increased by 4.1% and the real estate, renting and business service sector increased by 1.3%, each compared with 2007. Based on preliminary data, in 2009, the transportation and storage sector decreased by 4.4%, the financial intermediation sector increased by 3.9% and the real estate, renting and business activities sector increased by 0.2%, each compared with 2008.

Prices, Wages and Employment

The following table shows selected price and wage indices and unemployment rates:

	Producer Price Index(1)	Increase Over Previous Year	Consumer Price Index(1)	Increase Over Previous Year	Wage Index(1)(2)	Increase Over Previous Year	Unemployment Rate(1)(3)
	(2005=100)	(%)	(2005=100)	(%)	(2000=100)	(%)	(%)
2005	100.0	2.1	100.0	2.8	144.2	6.6	3.7
2006	100.9	0.9	102.2	2.2	152.5	5.7	3.5

2007	102.3	1.4	104.8	2.5	163.0	6.9	3.2
2008	111.1	8.6	109.7	4.7	168.5	3.4	3.2
2009	110.9	(0.2)	112.8	2.8	N/A(4)	N/A(4)	3.6

(1) Average for year
(2) Nominal wage index of earnings in all industries.
(3) Expressed as a percentage of the economically active population.
(4) Not available
Source: The Bank of Korea; Korea National Statistical Office.

The inflation rate, on an annualized basis, was 2.8% in 2005, 2.2% in 2006, 2.5% in 2007, 4.7% in 2008 and 2.8% in 2009.

The unemployment rate was 3.7% in 2005, 3.5% in 2006, 3.2% in 2007, 3.2% in 2008 and 3.6% in 2009.

From 1992 to 2009, the economically active population of the Republic increased by approximately 24.8% to 24.4 million, while the number of employees increased by approximately 23.7% to 23.5 million. The economically active population over 15 years old as a percentage of the total over-15 population has remained between 60% and 63% over the past decade. Literacy among workers under 50 is almost universal.

As of July 1, 2004, the Republic adopted a five-day workweek for large corporations with over 1,000 employees, publicly-owned (state-run) companies, banks and insurance companies, reducing working hours from 44 to 40 hours a week. The adoption of the five-day workweek has been extended to companies with over 300 employees and to government employees as of July 1, 2005 and to companies with over 100 employees as of July 1, 2006. Companies with more than 50 employees adopted the five-day workweek as of July 1, 2007 and those with over 20 adopted the five-day workweek as of July 1, 2008. Companies with less than 20 employees are also scheduled to adopt the five-day workweek by the end of 2011.

Approximately 10.5% of the Republic’s workers were unionized as of December 31, 2008. In the early 2000s, the labor unions of several of the Republic’s largest commercial banks, including Kookmin Bank, Chohung Bank (which was later acquired by Shinhan Bank) and Citibank Korea Inc. (formerly KorAm Bank), staged strikes in response to consolidation in the banking industry. In addition, in the summer of 2004 and 2005, respectively, unionized workers of GS Caltex Corporation and Asiana Airlines staged strikes demanding better compensation and working conditions. In the fall of 2005, unionized workers at Hyundai Motor Company and Kia Motors Corp. went on strikes during annual contract talks. In December 2005, Korean Air’s unionized pilots also staged strikes demanding a higher wage increase. In the summer of 2006, unionized workers of Hyundai Motor Company and Kia Motors Corp. went on partial strikes demanding better compensation and working conditions, and unionized workers of Ssangyong Motor Company went on strike in response to the company’s proposed layoff plans. In July 2006, unionized workers of POSCO’s subcontractors initiated a sit-in strike at POSCO’s headquarters in Pohang demanding better wages and working conditions, disrupting POSCO’s operations for nine days. In June 2007, unionized workers of Hyundai Motor Company went on partial strikes demanding a higher bonus increase. Also, in May 2009, unionized workers of Ssangyong Motor Company went on full-scale strike and illegally occupied the company’s factory premises in Pyungtaek opposing the company’s reorganization plan. Actions such as these by labor unions may hinder implementation of the labor reform measures and disrupt the Government’s plans to create a more flexible labor market. Although much effort is being expended to resolve labor disputes in a peaceful manner, there can be no assurance that further labor unrest will not occur in the future. Continued labor unrest in key industries of the Republic may have an adverse effect on the economy.

In 1997, the Korean Confederation of Trade Unions organized a political alliance, which led to the formation of the Democratic Labor Party in January 2000. The Democratic Labor Party, which seeks to represent the interests of workers, controls five seats in the National Assembly from May 30, 2008 as a result of the 18th legislative general election held on April 9, 2008.

The Financial System

Structure of the Financial Sector

The Republic's financial sector includes the following categories of financial institutions:

- The Bank of Korea;
- banking institutions;
- non-bank financial institutions; and
- other financial entities, including:
    - — financial investment companies;
    - — credit guarantee institutions;
    - — venture capital companies; and
    - — miscellaneous others.

To increase transparency in financial transactions and enhance the integrity and efficiency of the financial markets, Korean law requires that financial institutions confirm that their clients use their real names when transacting business. To ease the liquidity crisis, the Government altered the real-name financial transactions system during 1998, to allow the sale or deposit of foreign currencies through domestic financial institutions and the purchase of certain bonds, including Government bonds, without identification. The Government also strengthened confidentiality protection for private financial transactions.

In July 2007, the Korean National Assembly passed the Financial Investment Services and Capital Markets Act or FSCMA, under which various industry-based capital markets regulatory systems currently were consolidated into a single regulatory system. The FSCMA, which became effective in February 2009, expands the scope of permitted investment-related financial products and activities through expansive definitions of financial instruments and function- based regulations that allow financial investment companies to offer a wider range of financial services, as well as strengthening investor protection and disclosure requirements. The Enforcement Decree of the FSCMA classifies the financial investment companies into a total of 77 categories depending on the types of (i) financial investment services, (ii) financial investment products, and (iii) investors.

Prior to the effective date of the Financial Investment Services and Capital Markets Act, separate laws regulated various types of financial institutions depending on the type of the financial institution (for example, securities companies, futures companies, trust business companies and asset management companies) and subjected financial institutions to different licensing and ongoing regulatory requirements (for example, under the Securities and Exchange Act, the Futures Business Act and the Indirect Investment Asset Management Business Act). By applying one uniform set of rules to financial businesses having the same economic function, the Financial Investment Services and Capital Markets Act attempts to improve and address issues caused by the previous regulatory system under which the same economic function relating to capital markets-related business were governed by multiple regulations. To this end, the Financial Investment

Services and Capital Markets Act categorizes capital markets-related businesses into six different functions, as follows:

- investment dealing (trading and underwriting of financial investment products);
- investment brokerage (brokerage of financial investment products);
- collective investment (establishment of collective investment schemes and the management thereof);
- investment advice;
- discretionary investment management; and
- trusts (together with the five businesses set forth above, "Financial Investment Businesses").

Accordingly, all financial businesses relating to financial investment products are reclassified as one or more of the Financial Investment Businesses described above, and financial institutions are subject to the regulations applicable to their relevant Financial Investment Businesses, irrespective of what type of financial institution it is. For example, under the Financial Investment Services and Capital Markets Act, derivative businesses conducted by securities companies and future companies will be subject to the same regulations under the Financial Investment Services and Capital Markets Act, at least in principle.

The banking business and the insurance business are not subject to the Financial Investment Services and Capital Markets Act and will continue to be regulated under separate laws; provided, however, that they are subject to the Financial Investment Services and Capital Markets Act if their activities involve any Financial Investment Businesses requiring a license based on the Financial Investment Services and Capital Markets Act.

Banking Industry

The banking industry comprises commercial banks and specialized banks. Commercial banks serve the general public and corporate sectors. They include nationwide banks, regional banks and branches of foreign banks. Regional banks provide services similar to nationwide banks, but operate in a geographically restricted region. Branches of foreign banks have operated in the Republic since 1967 but provide a relatively small proportion of the country's banking services. As of December 31, 2009, commercial banks consisted of seven nationwide banks, all of which have branch networks throughout the Republic, six regional banks and 53 branches of 38 foreign banks operating in the country. Nationwide and regional banks had, in the aggregate, 5,498 domestic branches and offices, 41 overseas branches, 20 overseas representative offices and 30 overseas subsidiaries as of December 31, 2009.

Specialized banks meet the needs of specific sectors of the economy in accordance with Government policy; they are organized under, or chartered by, special laws. Specialized banks include:

- The Korea Development Bank;
- The Export-Import Bank of Korea;
- The Industrial Bank of Korea;

- National Agricultural Cooperative Federation (which merged with the National Livestock Cooperative Federation in July 2000); and

- National Federation of Fisheries Cooperatives.

The economic difficulties in 1997 and 1998 caused an increase in Korean banks' non-performing assets and a decline in capital adequacy ratios of Korean banks. From 1998 through 2002, the Financial Services Commission amended banking regulations several times to adopt more stringent criteria for non-performing loans that more closely followed international standards. The new criteria increased the level of non-performing loans held by banks and other financial institutions. The following table sets out the total loans and discounts and non-performing assets of the commercial banking sector.

	Total Loans	Non-Performing Assets	Percentage of Total
	(trillions of won)		(percentage)
December 31, 2005	795.2	7.8	1.0
December 31, 2006	930.2	6.5	0.7
December 31, 2007	1,073.8	6.5	0.6
December 31, 2008(1)	1,288.1	11.0	0.9
December 31, 2009(1)	1,308.3	15.7	1.2

(1) Preliminary
Source: Financial Supervisory Service.

Most of the growth in total loans since the end of 2002 has been attributable to loans to the retail sector, accounting for 37.2% of total loans as of February 28, 2009, compared to 34.3% as of December 31, 1999.

In 2005, a group of the Republic's banks, including seven nationwide commercial banks, six regional commercial banks and five special banks, posted an aggregate net profit of ₩13.6 trillion, compared to an aggregate net profit of ₩8.8 trillion in 2004, primarily due to decreased loan loss provisions and increased commissions and foreign exchange revenues. In 2006, these banks posted an aggregate net profit of ₩13.6 trillion. In 2007, these banks posted an aggregate net profit of ₩15.0 trillion. Based on preliminary data, in 2008, these banks posted an aggregate net profit of ₩7.9 trillion, compared to an aggregate net profit of ₩15.0 trillion in 2007, primarily due to increased loan loss provisions. Based on preliminary data, in 2009, these banks posted an aggregate net profit of ₩7.1 trillion, compared to an aggregate net profit of ₩7.9 trillion in 2008, primarily due to increased non-performing loans.

Non-Bank Financial Institutions

Non-bank financial institutions include:

- savings institutions, including trust accounts of banks, mutual savings banks, credit unions, mutual credit facilities, community credit cooperatives and postal savings;

- life insurance institutions; and

- credit card companies.

The country had 105 mutual savings banks as of December 31, 2009, with assets totaling ₩82.4 trillion.

As of December 31, 2009, 12 domestic life insurance institutions, two joint venture life insurance institutions and eight wholly-owned subsidiaries of foreign life insurance companies, with assets totaling approximately ₩361.4 trillion as of December 31, 2009, were operating in the Republic.

As of December 31, 2009, six credit card companies operated in the country with loans totaling approximately ₩43.9 trillion, of which 2.2% were classified as non-performing loans.

Money Markets

In the Republic, the money markets consist of the call market and markets for a wide range of other short- term financial instruments, including treasury bills, monetary stabilization bonds, negotiable certificates of deposits, repurchase agreements and commercial paper.

Securities Markets

In January 2005, the Korea Exchange was established pursuant to the Korea Stock and Futures Exchange Act by consolidating the Korea Stock Exchange, the Korea Securities Dealers Automated Quotation ("KOSDAQ") and the Korea Futures Exchange (as an exchange operating futures market and options market). The Korea Exchange was established in the form of a limited liability stock company in accordance with the Korean Commercial Code. The Korea Exchange is presently the only exchange in Korea that serves as a spot market and a futures market. It operates and supervises three market divisions: the Stock Market Division, the KOSDAQ Market Division, and the Futures Market Division. It has its principal office in Busan.

The Korea Exchange publishes the Korea Composite Stock Price Index every ten seconds, which is an index of all equity securities listed on the Korea Exchange. The Korea Composite Stock Price Index is computed using the aggregate value method, whereby the market capitalizations of all listed companies are aggregated, subject to certain adjustments, and this aggregate is expressed as a percentage of the aggregate market capitalization of all listed companies as of the base date, January 4, 1980.

The following table shows the value of the Korea Composite Stock Price Index as of the dates indicated:

December 30, 2004	895.9
January 31, 2005	932.7
February 28, 2005	1,011.4
March 31, 2005	965.7
April 30, 2005	911.3
May 31, 2005	970.2
June 30, 2005	1,008.2
July 29, 2005	1,111.3
August 31, 2005	1,083.3
September 30, 2005	1,221.0
October 31, 2005	1,158.1
November 30, 2005	1,297.4
December 29, 2005	1,379.4
January 31, 2006	1,399.8
February 28, 2006	1,371.6
March 31, 2006	1,359.6
April 28, 2006	1,419.7
May 30, 2006	1,317.7
June 30, 2006	1,295.2
July 31, 2006	1,297.8

August 31, 2006	1,352.7
September 29, 2006	1,371.4
October 31, 2006	1,364.6
November 30, 2006	1,432.2
December 28, 2006	1,434.5
January 31, 2007	1,360.2
February 28, 2007	1,417.3
March 31, 2007	1,452.6
April 30, 2007	1,542.2
May 31, 2007	1,700.9
June 30, 2007	1,743.6
July 31, 2007	1,933.3
August 31, 2007	1,873.2
September 28, 2007	1,946.5
October 31, 2007	2,064.9
November 30, 2007	1,906.0
December 28, 2007	1,897.1
January 31, 2008	1,624.7
February 29, 2008	1,711.6
March 31, 2008	1,704.0
April 30, 2008	1,825.5
May 30, 2008	1,852.0
June 30, 2008	1,674.9
July 31, 2008	1,594.7
August 29, 2008	1,474.2
September 30, 2008	1,448.1
October 31, 2008	1,113.1
November 28, 2008	1,076.1
December 31, 2008	1,124.5
January 30, 2009	1,162.1
February 27, 2009	1,063.0
March 31, 2009	1,206.3
April 30, 2009	1,369.4
May 29, 2009	1,395.9
June 30, 2009	1,390.1
July 31, 2009	1,557.3
August 31, 2009	1,591.9
September 30, 2009	1,673.1
October 31, 2009	1,580.7
November 30, 2009	1,555.6
December 31, 2009	1,682.8
January 29, 2010	1,602.4
February 26, 2010	1,594.6
March 31, 2010	1,692.9

On December 27, 1997, the last day of trading in 1997, the index stood at 376.3, a sharp decline from 647.1 on September 30, 1997. The fall resulted from growing concerns about the Republic's weakening financial and corporate sectors, the Republic's falling foreign currency reserves, the sharp depreciation of the Won against the U.S. Dollar and other external factors, such as a sharp decline in stock prices in Hong Kong on October 24, 1997 and financial turmoil in Southeast Asian countries. The Korea Composite Stock Price Index recovered to reach a high of 2,064.9 in late 2007 but since then the index declined. As liquidity and credit concerns and volatility in the global financial markets increased significantly since September 2008, there was a significant overall decline and continuing volatility in the stock prices of Korean companies during the fourth quarter of 2008 and first half of 2009. The index was 1,734.5 on April 16, 2010.

Supervision System

The Office of Bank Supervision, the Securities Supervisory Board, the Insurance Supervisory Board and all other financial sector regulatory bodies merged in January 1999 to form the Financial Services Commission. The Financial Services Commission acts as the executive body over the Financial Supervisory Service. The Financial Services Commission reports to, but operates independently of, the Prime Minister's office.

The Ministry of Strategy and Finance (formerly the Ministry of Finance and Economy) focuses on financial policy and foreign currency regulations. The Bank of Korea manages monetary policy focusing on price stabilization.

Deposit Insurance System

The Republic's deposit insurance system insures amounts on deposit with banks, non-bank financial institutions, securities companies and life insurance companies.

Since January 2001, deposits at any single financial institution are insured only up to ₩50 million regardless of the amount deposited.

The Government recently excluded certain deposits, such as repurchase agreements, from the insurance scheme, expanded the definition of unsound financial institutions to which the insurance scheme would apply and increased the insurance premiums payable by insured financial institutions.

Monetary Policy

The Bank of Korea

The Bank of Korea was established in 1950 as Korea's central bank and the country's sole currency issuing bank. A seven-member Monetary Policy Committee, chaired by the Governor of The Bank of Korea, formulates and controls monetary and credit policies.

Inflation targeting is the basic system of operation for Korean monetary policy. The consumer price index is used as The Bank of Korea's target indicator. To achieve its established inflation target, the Monetary Policy Committee of The Bank of Korea determines and announces the "Bank of Korea Base Rate," the reference rate applied in transactions such as repurchase agreements between The Bank of Korea and its financial institution counterparts. The Bank of Korea uses open market operations as its primary instrument to keep the call rate in line with the Monetary Policy Committee's target rate. In addition, The Bank of Korea is able to establish policies regarding its lending to banks in Korea and their reserve requirements.

Interest Rates

On July 10, 2003, The Bank of Korea cut its policy rate to 3.75% from 4.00%, which was further lowered to 3.5% on August 12, 2004 and 3.25% on November 11, 2004, in order to help economic recovery and to address financial market instability. On October 11, 2005, The Bank of Korea raised the policy rate to 3.5%, which was further raised to 3.75% on December 8, 2005, to 4.0% on February 9, 2006, to 4.25% on June 8, 2006 and to 4.50% on August 10, 2006, in response to the increasing side-effects of a low interest rate environment including inflationary pressures coupled with signs of recovery of the real economy. On July 12, 2007, The Bank of Korea raised the policy rate to 4.75% from 4.5%, and raised it further to 5.0% on August 9, 2007. The rationale for this change was the concern that the ample market liquidity might put upside pressure on inflation in the medium to long term as the economic upswing continued. On August 7, 2008, The Bank of Korea raised the policy rate to 5.25% from 5.0%, taking the view that inflation in consumer prices had picked up its pace, due to the direct and indirect effects of high oil prices, at a time when domestic economic activity had slackened. On October 9, 2008, The Bank of Korea cut its policy rate to 5.0% from 5.25%, and continued to lower it further to 4.25% on October 27, 2008, 4.0% on November 7, 2008, 3.0% on December 11, 2008, 2.5% on January 9, 2009 and 2.0% on February 12, 2009, in order to address financial market instability and to help combat the slowdown of the domestic economy.

With the deregulation of interest rates on banks' demand deposits on February 2, 2004, The Bank of Korea completed the interest rate deregulation based upon the "Four-Stage Interest Rate Liberalization Plan" announced in 1991. The prohibition on the payment of interest on ordinary checking accounts was, however, maintained.

Money Supply

The following table shows the volume of the Republic's money supply:

	December 31				
	2005	**2006**	**2007**	**2008**	**2009**
			(billions of Won)		
Money Supply (M1)[1]	332,344.9	371,087.6	316,382.7	330,623.7	389,394.5
Quasi-money[2]	689,103.8	778,174.5	957,229.2	1,095,263.8	1,177,455.5
Money Supply (M2).	1,021,448.7	1,149,262.1	1,273,611.9	1,425,887.5	1,566,850.0
Percentage Increase Over Previous Year................	7.0%	12.5%	10.8%	12.0%	9.9%

(1) Consists of currency in circulation and demand and instant access savings deposits at financial institutions.
(2) Includes time and installment savings deposits, marketable instruments, yield-based dividend instruments and financial debentures, excluding financial instruments with a maturity of more than two years.
Source: The Bank of Korea.

Exchange Controls

Authorized foreign exchange banks, as registered with the Ministry of Strategy and Finance, handle foreign exchange transactions. The ministry has designated other types of financial institutions to handle foreign exchange transactions on a limited basis.

Korean laws and regulations generally require a report to either the Ministry of Strategy and Finance, The Bank of Korea or authorized foreign exchange banks, as applicable, for issuances of international bonds and other instruments, overseas investments and certain other transactions involving foreign exchange payments.

In 1994 and 1995, the Government relaxed regulations of foreign exchange position ceilings and foreign exchange transaction documentation and created free Won accounts which may be opened by non-residents at Korean foreign exchange banks. The Won funds deposited into the free Won accounts may be converted into foreign currencies and remitted outside Korea without any governmental approval. In December 1996, after joining the OECD, the Republic freed the repatriation of investment funds, dividends and profits, as well as loan repayments and interest payments. The Government continues to reduce exchange controls in response to changes in the world economy, including the new trade regime under the WTO, anticipating that such foreign exchange reform will improve the Republic's competitiveness and encourage strategic alliances between domestic and foreign entities.

In September 1998, the National Assembly passed the Foreign Exchange Transactions Act, which became effective in April 1999 and was subsequently amended in October 2000, December 2000, December 2005, January 2007, January 2009 and April 2009. In principle, most currency and capital transactions, including, among others, the following transactions, have been liberalized:

- the investment in real property located overseas by Korean companies and financial institutions;
- the establishment of overseas branches and subsidiaries by Korean companies and financial institutions;
- the investment by non-residents in deposits and trust products having more than one year maturities; and
- the issuance of debentures by non-residents in the Korean market.

To minimize the adverse effects from further opening of the Korean capital markets, the Ministry of Strategy and Finance is authorized to introduce a variable deposit requirement system to restrict the influx of short-term speculative funds.

The Government has also embarked on a second set of liberalization initiatives starting in January 2001, under which ceilings on international payments for Korean residents have been eliminated, including overseas travel expenses, overseas inheritance remittances and emigration expenses. Overseas deposits, trusts, acquisitions of foreign securities and other foreign capital transactions made by residents and the making of deposits in Korean currency by non-residents have also been liberalized. In line with the foregoing liberalization, measures will also be adopted to curb illegal foreign exchange transactions and to stabilize the foreign exchange market.

Effective as of January 1, 2006, the Government liberalized the regulations governing "capital transactions." The regulations provide that no regulatory approvals are required for any capital transactions. The capital transactions previously subject to approval requirements are now subject only to reporting requirements.

Foreign Exchange

The following table shows the exchange rate between the Won and the U.S. Dollar (in Won per U.S. Dollar) as announced by the Seoul Money Brokerage Services, Ltd. as of the dates indicated:

Exchange Rates

	Won/U.S. Dollar Exchange Rate
December 31, 2004	1,043.8
January 31, 2005	1,026.4
February 28, 2005	1,008.1
March 31, 2005	1,024.3
April 30, 2005	1,001.8
May 31, 2005	1,002.5
June 30, 2005	1,024.4

	Won/U.S. Dollar Exchange Rate
July 30, 2005	1,025.7
August 31, 2005	1,031.0
September 30, 2005	1,038.0
October 31, 2005	1,042.7
November 30, 2005	1,036.3
December 30, 2005	1,013.0
January 31, 2006	971.0
February 28, 2006	969.0
March 31, 2006	975.9
April 28, 2006	945.7
May 30, 2006	947.4
June 30, 2006	960.3
July 31, 2006	953.1
August 31, 2006	959.6
September 29, 2006	945.2
October 31, 2006	944.2
November 30, 2006	929.9
December 29, 2006	929.6
January 31, 2007	940.9
February 28, 2007	938.3
March 31, 2007	940.3
April 30, 2007	929.4
May 31, 2007	929.9
June 30, 2007	926.8
July 31, 2007	923.2
August 31, 2007	939.9
September 28, 2007	920.7
October 31, 2007	907.4
November 30, 2007	929.6
December 31, 2007	938.2
January 31, 2008	943.9
February 29, 2008	937.3
March 31, 2008	991.7
April 30, 2008	999.7
May 31, 2008	1,031.4
June 30, 2008	1,043.4
July 31, 2008	1,008.5
August 29, 2008	1,081.8
September 30, 2008	1,187.7
October 31, 2008	1,291.4
November 28, 2008	1,482.7
December 31, 2008	1,257.5
January 31, 2009	1,368.5
February 27, 2009	1,516.4
March 31, 2009	1,377.1
April 30, 2009	1,348.0
May 29, 2009	1,272.9
June 30, 2009	1,284.7
July 31, 2009	1,240.5
August 31, 2009	1,244.9
September 30, 2009	1,188.7

	Won/U.S. Dollar Exchange Rate
October 31, 2009	1,200.6
November 30, 2009	1,167.4
December 31, 2009	1,167.6
January 29, 2010	1,156.5
February 26, 2010	1,158.4
March 31, 2010	1,131.3

Prior to November 1997, the Government permitted exchange rates to float within a daily range of 2.25%. In response to the substantial downward pressures on the Won caused by the Republic's economic difficulties in late 1997, in November 1997, the Government expanded the range of permitted daily exchange rate fluctuations to 10%. The Government eliminated the daily exchange rate band in December 1997, and the Won now floats according to market forces. The value of the Won relative to the U.S. dollar depreciated from ₩888.1 to US$1.00 on June 30, 1997 to ₩1,964.8 to US$1.00 on December 24, 1997. Due to improved economic conditions and increases in trade surplus, the Won has generally appreciated against the U.S. dollar, although the trend reversed in March 2008. During the period from January 2, 2008 through April 16, 2009, the value of the Won relative to the U.S. dollar declined by approximately 29.9%, due primarily to adverse economic conditions resulting from recent liquidity and credit concerns and volatility in the global credit and financial markets and repatriations by foreign investors of their investments in the Korean stock market. The market average exchange rate was ₩1,108.7 to US$1.00 on April 14, 2010.

Balance of Payments and Foreign Trade

Balance of Payments

Balance of payments figures measure the relative flow of goods, services and capital into and out of the country as represented in the current balance and the capital balance. The current balance tracks a country's trade in goods and services and transfer payments and measures whether a country is living within its income from trading and investments. The capital balance covers all transactions involving the transfer of capital into and out of the country, including loans and investments. The overall balance represents the sum of the current and capital balances. An overall balance surplus indicates a net inflow of foreign currencies, thereby increasing demand for and strengthening the local currency. An overall balance deficit indicates a net outflow of foreign currencies, thereby decreasing demand for and weakening the local currency. The financial account mirrors the overall balance. If the overall balance is positive, the surplus, which represents the nation's savings, finances the overall deficit of the country's trading partners. Accordingly, the financial account will indicate cash outflows equal to the overall surplus. If, however, the overall balance is negative, the nation has an international deficit which must be financed. Accordingly, the financial account will indicate cash inflows equal to the overall deficit.

The following table sets out certain information with respect to the Republic's balance of payments:

Balance of Payments

Classification	2005	2006	2007	2008	2009[3]
			(millions of dollars)		
Current Account	14,980.9	5,385.2	5,876.0	(5,776.3)	42,667.6
Goods	32,683.1	27,905.1	28,168.0	5,699.1	56,127.6
Exports[1]	288,970.7	331,842.0	379,045.1	432,922.3	373,584.4
Imports[1]	256,287.6	303,936.9	350,877.1	427,253.2	317,456.8
Services	(13,658.2)	(18,960.7)	(19,767.6)	(16,671.5)	(17,202.7)
Income	(1,562.5)	533.7	1,002.7	5,900.0	4,553.6

Classification	2005	2006	2007	2008	2009[3]
			(millions of dollars)		
Current Transfers	(2,481.5)	(4,092.9)	(3,527.1)	(673.9)	(810.9)
Capital and Financial Account	4,756.5	17,972.0	7,128.3	(50,083.6)	26,447.9
Financial Account[2]	7,096.9	21,098.1	9,515.8	(50,192.9)	25,260.6
Capital Account	(2,340.4)	(3,126.1)	(2,387.5)	109.3	1,187.3
Changes in Reserve Assets	(19,805.8)	(22,112.9)	(15,128.4)	56,446.0	(69,061.1)
Net Errors and Omissions	68.4	(1,244.3)	2,124.1	(586.1)	(54.4)

(1) These entries are derived from trade statistics and are valued on a free on board basis, meaning that the insurance and freight costs are not included.
(2) Includes borrowings from the IMF, syndicated bank loans and short-term borrowings.
(3) Preliminary.
Source: The Bank of Korea.

The Republic recorded a current account deficit of approximately US$5.8 billion in 2008 compared with a current account surplus of US$5.9 billion in 2007, primarily due to a significant decrease in surplus from the goods account.

Based on preliminary data, the Republic recorded a current account surplus of approximately US$42.7 billion in 2009 compared with a current account deficit of US$5.8 billion in 2008, primarily due to a significant increase in surplus from the goods account.

Trade Balance

Trade balance figures measure the difference between a country's exports and imports. If exports exceed imports the country has a trade balance surplus while if imports exceed exports the country has a deficit. A deficit, indicating that a country's receipts from abroad fall short of its payments to foreigners, must be financed, rendering the country a debtor nation. A surplus, indicating that a country's receipts exceed its payments to foreigners, allows the country to finance its trading partners' net deficit to the extent of the surplus, rendering the country a creditor nation.

The following table summarizes the Republic's trade balance for the periods indicated:

Trade Balance

	Exports[1]	Imports[1]	Balance of Trade	Exports as % of Imports
	(millions of dollars, except percentages)			
2005	284,418.7	261,238.3	23,180.4	108.9
2006	325,464.9	309,382.7	16,082.2	105.2
2007	371,489.0	356,845.7	14,643.3	104.1
2008	422,007.3	435,274.7	(13,267.4)	97.0
2009[2]	363,533.6	323,084.5	40,449.1	112.5

(1) These entries are derived from customs clearance statistics on a C.I.F. basis, meaning that the price of goods include insurance and freight cost.
(2) Preliminary.
Source: The Bank of Korea.

The Republic, due to its lack of natural resources, relies on extensive trading activity for growth. The country meets virtually all domestic requirements for petroleum, wood and rubber with imports, as well as much of its coal and iron needs. Exports consistently represent a high percentage of GDP and, accordingly, the international economic environment is of crucial importance to the Republic's economy.

The following tables give information regarding the Republic's exports and imports by major commodity groups:

Exports by Major Commodity Groups (C.I.F.)[1]

	2005	As % of Total	2006	As % of Total	2007	As % of Total	2008	As % of Total	2009[2]	As % of Total
				(millions of dollars, except percentages)						
Foods & Consumer Goods	3,174.4	1.1	3,167.7	1.0	3,531.7	1.0	4,071.7	1.0	4,282.8	1.2
Raw Materials and Fuels	18,650.9	6.6	25,071.5	7.7	29,442.5	7.9	44,102.6	10.5	27,892.3	7.7
Petroleum & Derivatives	15,519.8	5.5	20,602.8	6.3	24,212.4	6.5	37,825.3	9.0	23,191.9	6.4
Light Industrial Products	26,332.1	9.3	26,864.0	8.3	27,469.7	7.4	29,416.3	7.0	27,497.7	7.6
Heavy & Chemical Industrial Products	236,261.3	83.1	270,361.7	83.1	311,045.1	83.7	344,416.7	81.6	303,860.8	83.6
Electronic & Electronic Products	103,255.0	36.3	115,742.7	35.6	126,914.3	34.2	127,181.5	30.0	121,217.2	33.3
Chemicals & Chemical Products	27,295.5	9.6	31,234.9	9.6	36,822.5	9.9	41,920.1	9.9	36,630.6	10.1
Metal Goods	22,478.6	7.9	27,172.4	8.3	31,593.7	8.5	38,083.1	9.0	29,875.9	8.2
Machinery & Precision Equipment	26,143.2	9.2	28,984.6	8.9	36,163.8	9.7	42,949.8	10.3	32,772.2	9.0
Passenger Cars	27,181.5	9.6	30,497.1	9.4	34,482.8	9.3	31,287.5	7.4	22,399.2	6.2
Ship & Boat	17,362.9	6.1	21,661.9	6.7	26,855.1	7.2	41,293.9	9.8	42,825.2	11.8
Total	284,418.7	100.0	325,464.8	100.0	371,489.1	100.0	422,007.3	100.0	363,533.6	100.0

(1) These entries are derived from customs clearance statistics. C.I.F. means that the price of goods includes insurance and freight costs.
(2) Preliminary.
Source: The Bank of Korea.

Imports by Major Commodity Groups (C.I.F.)[1]

	2005	As % of Total	2006	As % of Total	2007	As % of Total	2008	As % of Total	2009[2]	As % of Total
				(millions of dollars, except percentages)						
Industrial Materials and Fuels	141,333.4	54.1	173,915.7	56.2	201,740.4	56.5	268,990.9	61.8	184,404.8	57.1
Crude Petroleum	42,605.8	16.3	55,864.9	18.1	60,323.5	16.9	85,855.4	19.7	50,757.4	15.7
Mineral	9,367.6	3.6	13,049.8	4.2	16,042.6	4.5	19,597.8	4.5	13,660.4	4.2
Chemicals	22,727.0	8.7	25,201.2	8.1	29,172.0	8.8	33,114.9	7.6	28,708.3	8.9
Iron & Steel Products	16,707.8	6.4	17,701.5	5.7	24,075.5	6.7	37,071.7	8.5	21,561.0	6.7
Non-ferrous Metal	8,599.8	3.3	12,329.2	4.0	14,306.1	4.0	13,359.1	3.1	9,110.8	2.8
Capital Goods	94,200.6	36.1	105,055.9	34.0	118,129.4	33.1	124,138.7	28.5	104,546.8	32.4
Machinery & Precision Equipment	31,325.6	12.0	35,447.7	11.5	39,292.8	11.0	40,040.8	9.2	33,617.9	10.4
Electric & Electronic Machines	55,092.9	21.1	60,087.5	19.4	66,984.5	18.7	70,447.8	16.2	59,782.5	18.5
Transport Equipment	6,394.7	2.4	7,978.2	2.6	9,982.5	2.8	11,650.1	2.7	9,544.6	3.0
Consumer Goods	25,704.3	9.8	30,411.1	9.8	36,975.9	10.4	42,145.1	9.7	34,132.9	10.6
Cereals	3,365.0	1.3	3,470.7	1.1	4,749.7	1.3	7,422.0	1.7	5,298.2	1.6
Goods for Direct Consumption	7,154.5	2.7	8,292.6	2.7	9,660.8	2.7	10,164.3	2.3	8,856.1	2.7
Consumer Durable Goods	9,744.8	3.7	11,810.4	3.8	14,574.3	4.1	16,358.3	3.8	12,900.3	4.0
Consumer Nondurable Goods	5,440.0	2.1	6,835.8	2.2	7,989.8	2.2	8,199.5	1.9	7,077.9	2.2
Total	261,238.3	100.0	309,382.7	100.0	356,845.7	100.0	435,274.7	100.0	323,084.5	100.0

(1) These entries are derived from customs clearance statistics. C.I.F. means that the price of goods includes insurance and freight costs.
(2) Preliminary.
Source: The Bank of Korea.

In 2005, the Republic recorded a trade surplus of US$23.2 billion. Exports increased by 12.0% to US$284.4 billion and imports increased by 16.4% to US$261.2 billion from US$253.8 billion of exports and US$224.5 billion of imports, respectively, in 2004.

In 2006, the Republic recorded a trade surplus of US$16.1 billion. Exports increased by 14.5% to US$325.5 billion and imports increased by 18.5% to US$309.4 billion from US$284.4 billion of exports and US$261.2 billion of imports, respectively, in 2005.

In 2007, the Republic recorded a trade surplus of US$14.6 billion. Exports increased by 14.1% to US$371.5 billion and imports increased by 15.3% to US$356.8 billion from US$325.5 billion of exports and US$309.4 billion of imports, respectively, in 2006.

In 2008, the Republic recorded a trade deficit of US$13.3 billion. Exports increased by 13.6% to US$422.0 billion and imports increased by 22.0% to US$435.3 billion from US$371.5 billion of exports and US$356.8 billion of imports, respectively, in 2007.

Based on preliminary data, the Republic recorded a trade surplus of US$40.4 billion in 2009. Exports decreased by 13.9% to US$363.5 billion and imports decreased by 25.8% to US$323.1 billion from US$422.0 billion of exports and US$435.3 billion of imports, respectively, in 2008.

The Republic's largest trading partners, the United States, Japan and China accounted for the following percentages of the country's imports and exports:

	2005		**2006**		**2007**		**2008**		**2009**(2)	
	Exports	**Imports**	**Exports**	**Imports**	**Exports**	**Imports**	**Exports**	**Imports**	**Exports**	**Imports**
	(percentages of total imports or exports)									
United States	14.5	11.7	13.3	10.9	12.3	10.4	11.0	8.8	10.4	9.0
Japan	8.4	18.5	8.2	16.8	7.1	15.8	6.7	14.0	6.0	15.3
China(1)	27.2	15.6	27.2	16.4	27.1	18.3	26.3	18.2	29.3	17.3

(1) Includes Hong Kong.
(2) Preliminary
Source: Ministry of Knowledge Economy.

In 2003, the outbreak of severe acute respiratory syndrome, or SARS, and the avian influenza in Asia (including China) and other parts of the world increased uncertainty about prospects for international trade and economic growth for affected countries, as well as world economic prospects in general. The avian influenza carried by migrating wild birds spread to several Asian countries, Russia, Romania and Turkey. In response to these outbreaks of avian influenza, the Government issued an advisory on disease prevention as of October 14, 2005 and conducted special monitoring of poultry farms. In addition, the Government continued to cooperate with regional and international efforts to develop and implement additional measures to contain and prevent SARS, the avian influenza and other diseases. Another outbreak of SARS, the avian influenza or similar incidents in the future may have an adverse effect on Korean and world economies and on international trade.

In April 2007, the Republic and the United States reached an agreement on a bilateral free trade agreement, or FTA, which was subsequently signed by both nations in June 2007. The FTA was submitted for ratification to the Korean National Assembly in September 2007. As of March 31, 2010, the FTA has not been submitted for ratification to the U.S. Congress.

Non-Commodities Trade Balance

The non-commodities trade deficit increased to US$15.2 billion in 2005, US$18.4 billion in 2006 and US$18.8 billion in 2007 but decreased to US$10.8 billion. Based on preliminary data, in 2009, the non-commodities trade deficit increased to US$12.6 billion.

Foreign Currency Reserves

The following table shows the Republic's total official foreign currency reserves:

Total Official Reserves

	December 31, 2005	2006	2007	2008	2009
	(millions of dollars)				
Gold[(1)]	$ 73.6	$ 74.2	$ 74.3	$ 75.7	$ 79.0
Foreign Exchange	209,967.7	238,387.9	261,770.7	200,479.1	265,202.3
Total Gold and Foreign Exchange	210,041.6	238,462.1	261,845.0	200,554.8	265,281.3
Reserve Position at IMF.	305.8	440.0	310.5	582.6	981.6
Special Drawing Rights	43.3	54.0	68.6	86.0	3,731.8
Total Official Reserves	$ 210,390.7	$ 238,956.1	$ 262,224.1	$ 201,223.4	$ 269,994.7

(1) For this purpose, domestically-owned gold is valued at US$42.22 per troy ounce (31.1035 grams) and gold deposited overseas is calculated at cost of purchase.
Source: The Bank of Korea.

The Government's foreign currency reserves increased to US$262.2 billion as of December 31, 2007 from US$8.9 billion as of December 31, 1997, primarily due to continued balance of trade surpluses and capital inflows. In 2008, the Government's foreign currency reserves decreased, falling to US$201.2 billion as of December 31, 2008, partially as a result of the Government's use of the foreign currency reserve to provide foreign currency liquidity to Korean financial institutions and to defend the value of the Won against depreciation. The amount of the Government's foreign currency reserve was US$272.3 billion as of March 31, 2010.

Government Finance

The Ministry of Strategy and Finance prepares the Government budget and administers the Government's finances.

The Government's fiscal year commences on January 1. The Ministry of Strategy and Finance must submit the budget to the National Assembly not later than 90 days prior to the start of the fiscal year and may submit supplementary budgets revising the original budget at any time during the fiscal year.

The following table shows consolidated Government revenues and expenditures:

Consolidated Central Government Revenues and Expenditures

	December 31, 2004	2005	2006	2007	2008
	(billions of Won)				
Total Revenues	178,784	191,446	209,573	243,633	250,713
Current Revenues	177,453	190,165	208,091	241,693	248,809
Total Tax Revenues	117,796	127,466	138,044	161,459	167,306
Income Profits and Capital Gains	48,112	54,456	60,367	74,273	75,510

	December 31,				
	2004	2005	2006	2007	2008
	(billions of Won)				
Tax on Property	2,996	4,683	6,281	8,725	7,694
Tax on Goods and Services	51,800	53,401	54,996	59,835	63,060
Customs Duties	6,796	6,318	6,858	7,411	8,776
Others	8,090	8,608	9,542	11,216	12,267
Social Security Contribution	22,848	24,905	27,315	29,739	32,896
Non-Tax Revenues	36,788	37,795	42,733	50,495	48,607
Capital Revenues	1,331	1,281	1,482	1,940	1,904
Total Expenditures and Net Lending	173,538	187,946	205,928	209,810	238,834
Total Expenditures	172,140	184,922	200,181	202,703	233,354
Current Expenditures	144,148	160,274	173,688	169,658	196,879
Goods and Services	33,869	36,165	38,987	34,496	37,375
Interest Payments	8,710	10,094	12,150	13,444	14,356
Subsidies and Other Transfers(1)	99,537	111,448	119,997	119,565	142,782
Subsidies	748	724	764	680	730
Other Transfers(1)	98,789	110,724	119,233	118,885	142,052
Non-Financial Public Enterprises Expenditures	3,031	2,566	2,554	2,153	2,366
Capital Expenditures	26,992	24,648	26,493	33,045	36,475
Net Lending	1,398	3,024	5,746	7,107	5,480

(1) Includes transfers to local governments, non-profit institutions, households and abroad.
Source: Ministry of Strategy and Finance; Korea National Statistical Office.

The consolidated Government account consists of a General Account, Special Accounts (including a non-financial public enterprise special account) and Public Funds. The Government segregates the accounts of certain functions of the Government into Special Accounts and Public Funds for more effective administration and fiscal control. The Special Accounts and Public Funds relate to business type activities, such as economic development, road and railway construction and maintenance, monopolies, and communications developments and the administration of loans received from official international financial organizations and foreign governments.

Revenues derive mainly from national taxes and non-tax revenues. Expenditures include general administration, national defense, community service, education, health, social security, certain annuities and pensions and local finance, which involves the transfer of tax revenues to local governments.

For 2004, revenues increased by approximately 4.0%, which represented 22.9% of the Republic's GDP, principally due to higher tax revenues. Tax revenues increased principally as a result of the country's export growth and the accompanying increase in corporate income. The Republic had a fiscal surplus of ₩5.2 trillion in 2004.

For 2005, revenues increased by approximately 7.1%, which represented 23.6% of the Republic's GDP, principally due to higher tax revenues. Tax revenues increased principally as a result of the country's export growth and the accompanying increase in corporate income. The Republic had a fiscal surplus of ₩3.5 trillion in 2005.

For 2006, revenues increased by approximately 9.5%, which represented 24.7% of the Republic's GDP, principally due to higher tax revenues. Tax revenues increased principally as a result of the country's export growth and the accompanying increase in corporate income. The Republic had a fiscal surplus of ₩3.6 trillion in 2006.

For 2007, revenues increased by approximately 16.3%, which represented 27.0% of the Republic's GDP, principally due to higher tax revenues. Tax revenues increased principally as a result of the country's export growth and the accompanying increase in corporate income. The Republic had a fiscal surplus of ₩33.8 trillion in 2007.

For 2008, revenues increased by approximately 2.9% principally due to higher tax revenues. Tax revenues increased principally as a result of the country's export growth and the accompanying increase in corporate income. The Republic had a fiscal surplus of ₩11.9 trillion in 2008.

Based on preliminary data, the Republic recorded total revenues of ₩255.3 trillion and total expenditures and net lending of ₩272.9 trillion in 2009. The Republic had a fiscal deficit of ₩17.6 trillion in 2009.

Debt

External and Internal Debt of the Government

The following table sets out, by currency and the equivalent amount in U.S. Dollars, the estimated outstanding direct external debt of the Government as of December 31, 2008:

Direct External Debt of the Government

	Amount in Original Currency	Equivalent Amount in U.S. Dollars(1)
	(millions)	
US$	US$ 5,812.6	US$ 5,812.6
Japanese Yen (¥)	¥ 25,259.7	280.0
Euro (EUR)	EUR 879.6	1,242.5
Total		US$ 7,335.0

(1) Amounts expressed in currencies other than US$ are converted to US$ at the arbitrage rate announced by the Seoul Money Brokerage Services, Ltd. in effect on December 31, 2008.

The following table summarizes, as of December 31 of the years indicated, the outstanding direct internal debt of the Republic:

Direct Internal Debt of the Government

	(billions of Won)
2004	182,201.5
2005	227,066.3
2006	262,380.6
2007	278,800.8
2008	288,719.8

The following table sets out all guarantees by the Government of indebtedness of others:

	December 31,				
	2004	2005	2006	2007	2008
	(billions of Won)				
Domestic	65,350.5	54,667.7	36,436.6	33,031.1	28,112.8
External(1)	.699.3	310.2	73.4	31.8	—
Total	66,049.8	54,977.9	36,510.1	33,062.9	28,112.8

(1) Converted to Won at foreign exchange banks' telegraphed transfer selling rates to customers in effect on December 31 of each year.

In response to the recent adverse conditions in global financial markets, in April 2009, the Government provided its guarantee to holders of a Korean bank's U.S.$1 billion notes due 2012 pursuant to a guarantee program established by the Government to facilitate foreign-currency denominated funding by Korean banks.

For further information on the outstanding indebtedness, including guarantees, of the Republic, see "—Tables and Supplementary Information."

External Debt

The following tables set out certain information regarding the Republic's external debt calculated under the criteria published in a compilation by nine international organizations including the IMF and the World Bank in 2003. Starting from June 2003, in particular, the Republic's total external debt calculation under the new criteria excludes offshore borrowings by overseas branches and subsidiaries of Korean banks but includes Won-denominated liabilities such as bank deposits by nonresidents and also includes international finance lease liabilities.

	December 31,				
	2004	2005	2006	2007	2008
	(billions of dollars)				
Foreign Currencies	161.3	176.3	246.4	327.9	323.9
Korean Won	11.0	11.6	13.7	54.3	56.6
Total External Liabilities	172.3	187.9	260.1	382.2	380.5

	December 31,				
	2004	2005	2006	2007	2008
	(billions of dollars)				
Long-term Debt	115.9	122.0	146.3	221.9	229.4
General Government	10.4	8.5	10.3	31.9	21.1
Monetary Authorities	4.0	4.8	5.7	13.2	13.0
Banks	30.0	32.2	40.4	60.2	58.7
Other Sectors	71.5	76.5	89.9	116.5	136.6
Short-term Debt	56.3	65.9	113.8	160.3	151.1
Monetary Authorities	2.0	2.2	3.9	8.2	17.1
Banks	44.5	51.3	96.1	133.8	113.0
Other Sectors	9.9	12.4	13.7	18.3	21.0
Total External Liabilities	172.3	187.9	260.1	382.2	380.5

Debt Record

The Government has always paid when due the full amount of principal of, interest on, and amortization of sinking fund requirements of, all of its indebtedness.

Tables and Supplementary Information

A. External Debt of the Government

Currency of Borrowings	Range of Interest Rates (%)	Range of Years of Issue	Range of Years of Original Maturity	Principal Amounts Outstanding as of December 31, 2008 (millions of dollars)
US$	0.75-8.875	1966-2006	2007-2025	US$ 5,812.6
Japanese Yen (¥)	4.0-5.0	1983-1990	2005-2015	280.0
Euro (EUR)	3.625-4.25	2005-2006	2015-2021	1,242.5
Total External Funded Debt [1]				US$ 7,335.0

(1) Amounts expressed in currencies other than US$ are converted to US$ at the arbitrage rate between foreign currencies announced by the Seoul Money Brokerage Services, Ltd. in effect on December 31, 2008.

B. External Guaranteed Debt of the Government[(1) (2)]

Name	Interest Rates (%)	Years of Issue	Years of Original Maturity	Principal Amounts Outstanding as of December 31, 2008 (millions of dollars)
1. Bonds				
Total Bonds				None
2. Borrowings				
Total Borrowings				None
Total External Guaranteed Debts				None

(1) In April and June 2009, the Government provided its guarantee to holders of a Korean bank's U.S.$1 billion notes due 2012 and MYR 1 billion notes due 2012, respectively.

(2) The Government announced in June 2008 that it plans to guarantee certain other outstanding debt of The Korea Development Bank in case The Korea Development Bank is privatized as planned.

C. Internal Debt of the Government

Title	Range of Interest Rates (%)	Range of Years of Issue	Range of Years of Original Maturity	Principal Amounts Outstanding as of December 31, 2008 (billions of Won)
1. Bonds				
Foreign Exchange Stabilization Bonds	—	—	—	—
Interest-Bearing Treasury Bond for Treasury Bond Management Fund	3.0-5.0	1997-2008	2000-2028	239,290.3
Interest-Bearing Treasury Bond for National Housing I	3.0-5.0	1998-2008	2001-2011	40,296.2
Interest-Bearing Treasury Bond for National Housing II	0.0-3.0	1983-2008	2003-2019	4,032.3
Interest-Bearing Treasury Bond for National Housing III	0	2005	2015	594.2
Non-interest-Bearing Treasury Bond for Contribution[(1)]	—	1967-1985	—	11.3
Total Bonds				284,224.3
2. Borrowings				
Borrowings from The Bank of Korea				1,117.2
Borrowings from the Sports Promotion Fund				45

Title	Range of Interest Rates	Range of Years of Issue	Range of Years of Original Maturity	Principal Amounts Outstanding as of December 31, 2008
	(%)			(billions of Won)
Borrowings from the Civil Servant Pension Fund...				295
Borrowings from the Export Insurance Fund				
Authorized Government Debt beyond Budget Limited..				3,038.3
Sub-Total..				4,495.5
Total				
Total Internal Funded Debt.............................				288,719.8

(1) Interest Rates and Years of Maturity not applicable.

D. Internal Guaranteed Debt of the Government

Title	Range of Interest Rates	Range of Years of Issue	Range of Years of Original Maturity	Principal Amounts Outstanding as of December 31, 2008
	(%)			(billions of Won)
1. Bonds of Government-Affiliated Corporations				
Korea Deposit Insurance Corporation	0.01-7.14	2001-2007	2007-2012	27,960.0
Total Bonds...				27,960.0
2. Borrowings of Government-Affiliated Corporations				
Rural Development Corporation and Federation of Farmland...	5.5	1967	2000-2023	152.8
Total Borrowings				152.8

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into the Global Note and each Definitive Note, in the latter case only if permitted by the stock exchange or other relevant authority (if any) at the time of issue but, if not so permitted and agreed, such Definitive Note will have endorsed thereon or attached thereto such Terms and Conditions.

The Notes are issued by The Export-Import Bank of Korea (the "Issuer") and constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the "Trust Deed") to be dated on or around 23 June 2010 made between the Issuer and Mega International Commercial Bank (the "Trustee," which expression shall include any successor as trustee). The Notes are the subject of an agency agreement to be dated on or around 23 June 2010 (the "Agency Agreement") among the Issuer, the Trustee, Deutsche Bank Luxembourg, S.A., (the "Registrar," which expression shall include any successor as registrar), Deutsche Bank AG, Hong Kong Branch, (the "Paying Agent," which expression shall include any successor as paying agent), and Deutsche Bank AG, Hong Kong Branch (the "Transfer Agent," which expression shall include any successor as transfer agent). The Registrar, the Paying Agent and the Transfer Agent are collectively referred to herein as the "Agents."

References herein to the "Notes" shall mean (i) a Global Note and (ii) any Definitive Notes issued in exchange for a Global Note.

The Trustee acts for the benefit of the holders for the time being of the Notes (the "Noteholders", which expression shall, in relation to any Notes represented by a Global Note, be construed as provided below) in accordance with the provisions of the Trust Deed.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee (at 11F, No. 100, Chi Lin Road, Taipei, Taiwan, R.O.C.) and at the specified office of each of the Agents. The Noteholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed and the Agency Agreement which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed or the Agency Agreement 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 Trust Deed and the Agency Agreement, the Trust Deed will prevail.

1. Form, Denomination and Status

(a) *Form and Denomination*

The Notes are in registered form, without coupons attached, in the denominations of U.S.$10,000.

(b) *Status*

The Notes are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and rank *pari passu* among themselves and (subject as aforesaid and save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

2. Registrar, Title and Transfers

The Registrar will maintain a register (the "Register") in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the "holder" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of joint holding, the first named thereof) and "Noteholder" shall be construed accordingly.

The holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Global Note or, as the case may be, the Definitive Note relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Global Note or, as the case may be, Definitive Note) and no person shall be liable for so treating such holder.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear Bank SA/NV ("Euroclear"), Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg") and Taiwan Depositary and Clearing Corporation ("TDCC"). References to Euroclear, Clearstream, Luxembourg and TDCC (together, the "Clearing Systems") shall, whenever the context so permits, be deemed to include a reference to any successor operator and/or successor clearing system or otherwise approved by the Issuer, the Paying Agent and the Trustee.

A Note may be transferred upon surrender of the relevant Note, with the endorsed form of transfer duly completed, at the specified office of the Registrar or at the specified office of a Transfer Agent, together with such evidence as the Registrar or Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer. Where not all the Notes represented by the surrendered Note are the subject of the transfer, a new Note in respect of the balance of the Note will be issued to the transferor.

Subject to the last paragraph of this Condition, within five business days of the surrender of a Note in accordance with the immediately preceding paragraph above, the Registrar will register the transfer in question and deliver a new Note to each relevant holder at its specified office or (at the request and risk of such relevant holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant holder. In this paragraph, "business day" means a day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in the city where the Registrar has its specified office.

The transfer of a Note will be effected without charge but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

Noteholders may not require transfers to be registered during the period of 15 calendar days ending on the due date for any payment of principal or interest in respect of the Notes.

3. Negative Pledge

So long as any of the Notes remain outstanding (as defined in the Trust Deed), neither the Issuer nor any Material Subsidiary (as defined below) will create or permit to be outstanding any mortgage, charge, pledge or other security interest upon the whole or any part of its property, assets or revenues, present or future, to secure (i) any Quoted Indebtedness (as defined below), or (ii) any guarantee or indemnity or other like obligation relating to any Quoted Indebtedness, without in any such case at the same time according to the Notes, Receipts or Coupons either the same security as is granted to or is outstanding in respect of such indebtedness, guarantee, indemnity or other like obligation or such other security as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Noteholders.

"Material Subsidiary" means at any relevant time a Subsidiary (as defined in the Trust Deed) of the Issuer:

(i) whose total assets or gross revenues (or, where the subsidiary in question itself has subsidiaries, whose total consolidated assets or gross consolidated revenues, as the case may be) attributable to the Issuer represent not less than 20 per cent. of the total consolidated assets or the gross consolidated revenues of the Issuer, all as calculated by reference to the then latest audited accounts of such subsidiary and of any other entity which is a subsidiary of that subsidiary and which would, if the latter subsidiary produced consolidated accounts, be included in such consolidated accounts and the then latest consolidated accounts of the Issuer; or

(ii) to which is transferred all or substantially all the assets and undertakings of a subsidiary which immediately prior to such transfer is a Material Subsidiary.

"Quoted Indebtedness" means notes, debentures, bonds or other instruments evidencing indebtedness which are for the time being, or are capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other securities market.

4. [Reserved]

5. Interest

Each Note bears interest on its outstanding nominal amount from (and including) the date of issue of the Notes (the "Interest Commencement Date") at the rate per annum equal to 2.65% (the "Rate of Interest"), payable semi-annually in arrears on the Interest Payment Date.

Interest shall be calculated in respect of any period by applying the Rate of Interest to the outstanding nominal amount of the Note(s), and multiplying such sum by the Day Count Fraction, and rounding the resultant figure to the nearest one cent, half of any such cent being rounded upwards or otherwise in accordance with applicable market convention.

"Interest Payment Date" means the date or dates specified as such in, or determined in accordance with the provisions of, the Supplemental Offering Circular.

"Day Count Fraction" means the number of days in the Interest Period (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

"Interest Period" means period beginning on (and including) the Interest Commencement Date and ending on (and excluding) the first Interest Payment Date and each successive period from and including an Interest Payment Date to but excluding the next Interest Payment Date.

6. Payments

(a) *Method of payment*

Subject as provided below, payments of principal or interest will be made in U.S. dollars by credit or transfer to an account in U.S. dollars maintained by the payee with, or by a cheque in U.S. dollars drawn on, a bank in New York City upon surrender of a Global Note or, as the case may be, Definitive Note at the specified office of the Paying Agent.

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 8.

(b) *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 the Clearing Systems as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to the relevant Clearing System for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

(c) *Business Day*

If the date for payment of any amount in respect of any Note is not a Business Day, and subject to Condition 9, the holder thereof shall not be entitled to payment until the next following Business Day and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "Business Day" means any day which is 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 (i) the relevant place of presentation, (ii) New York City, (iii) Taiwan, (iv) Hong Kong and (v) Seoul.

(d) *Record Date*

Each payment in respect of a Note will be made in the manner specified in Condition 6(a) to the person in whose name any such note is registered at the close of business on the date being the fifteenth day before the due date for the payment of interest.

(e) *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 8;

(ii) the Final Redemption Amount, which is equal to the Issue Price of the Notes; and

(iii) the Early Redemption Amount 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 in respect to interest under Condition 8.

7. Redemption and Purchase

(a) Redemption at maturity

Unless previously redeemed or purchased and in each case cancelled as specified below, each Note will be redeemed by the Issuer at 100% of the nominal value of the notes in U.S. dollars on the Maturity Date.

(b) Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date or, if so specified hereon, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Redemption Amount (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 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, 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 then due. Before the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by an authorized officer of 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) [Reserved]

(d) Redemption Amounts

For the purpose of paragraph (b) above and Condition 10, "Redemption Amount" means 100% of the nominal value of the Notes.

(e) Purchases

The Issuer or any Subsidiary of the Issuer may at any time purchase Notes at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike. Such Notes may be held, reissued, resold or, at the option of the Issuer surrendered to the Registrar for cancellation.

(f) Cancellation

All Notes which are redeemed will forthwith be cancelled. All Notes so cancelled and Notes purchased and cancelled pursuant to paragraph (d) above shall be forwarded to the Registrar and cannot be reissued or resold.

8. Taxation

All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Korea or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts (the "Additional Amounts") as shall result in receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to the Notes:

(a) to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Notes by reason of his having some connection with Korea other than the mere holding of the Notes; or

(b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive on the taxation of savings income implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(c) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the Notes to another Paying Agent in a Member State of the European Union; or

(d) to, or to a third party on behalf of, a holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying or procuring that any third party complies with any statutory requirements or by making or procuring that any third party makes a declaration of non-residence or other similar claim for exemption to any tax authority in the place where the Notes are presented for payment; or

(e) presented (or in respect of which a certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day.

As used in these Conditions, "**Relevant Date**" means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Notes being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

9. Prescription

The Notes will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

10. Events of Default

If any of the following events ("Events of Default") occurs and is continuing, the Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified to its satisfaction), (but, in the case of the happening of any of the events referred to in paragraphs (ii) to (ix) (other than the winding up of the Issuer) of this Condition, only if the Trustee shall have first certified that in its opinion such event is materially prejudicial to the interests of the Noteholders), by written notice to the Issuer declare that the Notes are immediately repayable, whereupon the Redemption Amount of the Notes together with accrued interest to the date of payment shall become immediately due and payable:

(i) *Non-Payment:* the Issuer fails to pay the principal or the interest in respect of the Notes when due and such failure continues for 15 days; or

(ii) *Breach of Other Obligations:* the Issuer defaults in the performance or observance of or compliance with any of its other obligations set out in the Notes or the Trust Deed which default is, in the opinion of the Trustee, incapable of remedy or is not remedied within 30 days (or such longer period as the Trustee may agree) after notice of such default shall have been given to the Issuer by the Trustee; or

(iii) *Cross-Default:* any other notes, debentures, bonds or other indebtedness for money borrowed having an aggregate principal amount of US$10,000,000 (or its equivalent in any other currency) or more (hereinafter collectively called "Indebtedness") of the Issuer or of any of its Material Subsidiaries shall become prematurely repayable following a default, or steps are taken to enforce any security therefor, or the Issuer or any of its Material Subsidiaries defaults in the repayment of any such Indebtedness at the maturity thereof (or at the expiration of any applicable grace period therefor, if any) or any guarantee of or indemnity in respect of any Indebtedness of others given by the Issuer or any of its Material Subsidiaries shall not be honoured when due and called upon except where the liability to make such payments is being contested in good faith by appropriate means; or

(iv) *Enforcement Proceedings:* a distress of execution or other legal process is levied or enforced or sued out upon or against any substantial part of the property, assets or revenues of the Issuer or any of its Material Subsidiaries; except where such distress or execution is being contested in good faith or stayed within 60 days of having been so levied, enforced or sued out; or

(v) *Insolvency:* the Issuer or any of its Material Subsidiaries becomes insolvent or is unable to pay its debts as they mature or applies for or consents to or suffers the appointment of an administrator, liquidator or receiver of the Issuer or any of its Material Subsidiaries or of the whole or any part of the undertaking, property, assets or revenues of the Issuer or any of its Material Subsidiaries or takes any proceeding under any law for a readjustment or deferment of its obligations or any part of them or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors or stops or threatens to cease to carry on the whole or any substantial part of its business; or

(vi) *Winding-up:* an order is made or an effective resolution passed for winding-up the Issuer or any of its Material Subsidiaries; or

(vii) *Moratorium:* a moratorium is agreed or declared by the Issuer in respect of any indebtedness of the Issuer or any of its Material Subsidiaries or 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 in good standing of the International Monetary Fund or the International Bank for Reconstruction and Development or the international monetary reserves of Korea become subject to any lien, charge, mortgage, encumbrance or other security interest or any segregation or other preferential arrangement (whether or not constituting a security interest) for the benefit of any creditor or class of creditors; or

(viii) *Article 37:* 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 by Article 37 of The Export-Import Bank of Korea Act of 1969, as amended ("Article 37") or Article 37 is amended in a manner which prejudices the rights of the Noteholders, or is repealed; or

(ix) *Authorisation and Consents:* any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes and the Trust Deed; and (ii) to ensure that those obligations are legally binding and enforceable, is not taken, fulfilled or done;

For the purpose of this Condition 10, "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.

11. Replacement of Notes

Should any Note be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

12. Agents

The names of the initial Agents and their initial specified offices are set out below. The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that (i) there will at all times be a paying agent; (ii) so long as the notes are admitted to listing on any stock exchange and the rules of such stock exchange so require, there will at all times be a paying agent with a specified office in such place as may be required by the rules of the relevant stock exchange; and (iii) so long as the notes are admitted to listing on the GreTai Securities Market (the "GTSM") and the rules of GTSM so require, there will at all times be a paying agent with a specified office in such place as may be required by the rules of the GTSM.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of trust with, any Noteholders.

13. [Reserved]

14. Notices

All notices regarding the Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the Financial Times in London. In addition, subject to the paragraph below, if and for so long as the Notes are listed on the GTSM and for so long as the rules of the GTSM so require, all notices regarding the Notes shall be published on a website designated by the GTSM (http://mops.twse.com.tw/T113.htm). Any such notice will be deemed to have been given on the date of the first publication. If publication as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee may approve.

Until such time as any Definitive Notes are issued, there may, so long as the Global Note representing the Notes are held in their entirety on behalf of Euroclear and Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on the GTSM and the rules of the GTSM so permit, the Issuer may deliver the relevant notice to the GTSM for communication by it to the holders of the Notes in lieu of a publication on a website designated by the GTSM described in the paragraph above. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to the relevant Clearing System.

15. Meetings of Noteholders, Modification and Waiver

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer at the request of Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing a majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate or amount of interest payable in respect of the Notes or altering the currency of payment of the Notes), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting.

The Trustee may agree, without the consent of the Noteholders to:

(A) any modification of any of the provisions of these Terms and Conditions, the Notes or the Trust Deed which is not in the opinion of the Trustee materially prejudicial to the interests of the Noteholders; or

(B) any modification of the provisions of any of these Terms and Conditions, the Notes or the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of law.

The Trustee may also agree, without the consent of the Noteholders to the waiver or authorisation of any breach or proposed breach of any of these Terms and Conditions or any of the provisions of the Trust Deed or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, which in any such case is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder, be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders except, in the case of the Issuer to the extent provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

Any such modification shall be binding on the Noteholders and, unless the Trustee otherwise agrees, any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

16. Indemnification of the Trustee and its Contracting with the Issuer

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified to its satisfaction. The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (i) to enter into business transactions with the Issuer and to act as trustee for the holders of any other securities issued by, or relating to, the Issuer; (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

17. Further Issues

The Issuer is at liberty from time to time without the consent of the Noteholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon. The Notes and any additional notes will be consolidated and form a single series with the outstanding Notes. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of Notes of other series in certain circumstances where the Trustee so decides.

18. [Reserved]

19. Governing Law

(a) The Notes, the Trust Deed and any dispute, matter, claim or proceeding of whatever nature arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales.

(b) The Issuer irrevocably agrees that the courts of England and Wales shall have exclusive jurisdiction to settle any dispute or claim that arises out of or in connection with the Trust Deed and the Notes or its subject matter or formation (including non-contractual disputes or claims).

(c) The Issuer irrevocably appoints Kexim Bank (UK) Limited, of Boston House, 63-64 New Broad Street, London EC2M 1JJ as its agent for service of process to receive on its behalf in England or Wales service of any proceedings under Condition 19(b) above. Such service shall be deemed completed on delivery to such agent (whether or not it is forwarded to and received by the Issuer) and shall be valid until such time as the Trustee has received prior written notice from the Issuer that such agent has ceased to act as agent. If for any reason such agent ceases to be able to act as agent or no longer has an address in England or Wales, the Issuer shall forthwith appoint a substitute acceptable to the Trustee and deliver to the Trustee the new agent's name and address within England and Wales.

20. Contracts (Rights of Third Parties) Act 1999

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

TAXATION

The information provided below does not purport to be a complete summary of tax law and practice currently applicable. Prospective investors who are in any doubt as to their tax position should consult with their own professional advisers.

Korean Taxation

The taxation of non-resident individuals and non-Korean corporations ("Non-Residents") depends on whether they have a "Permanent Establishment" (as defined under Korean law and applicable tax treaty) in Korea to which the relevant Korean source income is attributable or with which such income is effectively connected. Non-Residents without such a Permanent Establishment in Korea are taxed in the manner described below. Non-Residents with such Permanent Establishments are taxed in accordance with different rules.

Tax on Interest

In principle, interest on the Notes paid to a Non-Resident is subject to withholding of Korean income or corporation tax unless exempted by relevant laws or tax treaties.

The Special Tax Treatment Control Law (the "STTCL") exempts interest on notes denominated in a foreign currency (excluding payments to a Korean corporation or resident) from Korean income tax or corporation tax. The local income tax referred to below is also therefore eliminated.

Accordingly, if not exempt under the STTCL, interest on the Notes will be subject to withholding of Korean income tax or corporation tax at the rate of 14 per cent. for a Non-Resident. In addition, a tax surcharge, called a local income tax, is imposed at the rate of 10 per cent. of the income tax or corporation tax (raising the total tax rate to 15.4 per cent.). Tax is withheld by the payer of the interest

Tax rates may be reduced or exempted by applicable tax treaties, conventions or agreements between Korea and the country of the recipient of the interest. The relevant tax treaties are summarised below.

In order to obtain a reduction or exemption in withholding tax under an applicable tax treaty, a Non-Resident should submit, prior to the interest payment date, such evidence of tax residence as the Korean tax authorities may require in support of the claim for treaty protection.

Tax on Capital Gains

Korean tax laws currently exclude from Korean taxation gains made by a Non-Resident without a permanent establishment in Korea from the sale of Notes to Non-Residents (unless the sale is to the Non-Resident's Permanent Establishment in Korea). In addition, capital gains earned by Non-Residents from the transfer of Notes taking place outside of Korea are currently exempt from taxation by virtue of the STTCL provided that the offering of the Notes is deemed to be an overseas issuance under the STTCL.

If the exclusion or exemption from Korean taxation referred to above ceases to be in effect, in the absence of an applicable treaty or any other special tax laws reducing or eliminating capital gains tax, the applicable rate of tax would be the lower of 11 per cent. of the gross realisation proceeds (the "Gross Realisation Proceeds") or (subject to the production of satisfactory evidence of the acquisition cost and certain direct transaction cost of the relevant Korean securities) 22 per cent. of the gain made. The gain is calculated as the Gross Realisation Proceeds less the acquisition cost and certain direct transaction cost. There is no provision under relevant Korean law for offsetting gains and losses or otherwise aggregating transactions for the purpose of computing the net gain attributable to sales of Korean securities. Unless the seller can claim the benefit of an exemption or a reduced rate of tax under an applicable treaty or in the absence of the seller producing satisfactory evidence of its acquisition cost and certain direct transaction cost in relation to the Korean securities being sold, the purchaser or the securities company, as applicable, must withhold an amount equal to 11 per cent. of the Gross Realisation Proceeds. Any withheld tax must be paid no later than the tenth day of the month following the month in which the payment for the purchase of the relevant Korean securities occurred. Failure to timely transmit the withheld tax to the Korean tax authorities technically subjects the purchaser or the securities company to penalties under Korean tax law.

Inheritance Tax and Gift Tax

Korean inheritance tax is imposed upon (1) all assets (wherever located) of the deceased if at the time of death the deceased was domiciled in Korea or resident in Korea for at least one year immediately prior to the death and (2) all property located in Korea which passes on death (irrespective of the domicile of the deceased). Gift tax is imposed in similar circumstances to the above. The taxes are imposed if the value of the relevant property is above a certain limit and the tax amount varies from the rate of 10 to 50 per cent. according to the value of the relevant property and the identity of the persons involved. At present, Korea has not entered into any tax treaties regarding its inheritance or gift taxes.

Under Korean inheritance and gift tax laws, notes issued by Korean corporations are deemed located in Korea irrespective of where they are physically located or by whom they are owned.

Stamp Duty and Securities Transaction Tax

No stamp, issue or registration duties will be payable in Korea by the holders of the notes in connection with the issue of the notes except for a nominal amount of stamp duty on certain documents executed in Korea. No securities transaction tax will be imposed on the transfer of the notes.

Tax Treaties

At the date of this Offering Circular, Korea has tax treaties with, inter alia, Albania, Algeria, Australia, Austria, Bangladesh, Belarus, Belgium, Brazil, Bulgaria, Canada, Chile, China, Croatia, Czech Republic, Denmark, Egypt, Fiji, Finland, France, Germany, Greece, Hungary, India, Indonesia, Iran, Ireland, Israel, Italy, Japan, Jordan, Nepal, Kuwait, Kazakhstan, Lao People's Democratic Republic, Latvia, Lithuania, Luxembourg, Malaysia (excluding the Federal Territory of Labuan), Malta, Mexico, Mongolia, Morocco, Netherlands, New Zealand, Norway, Pakistan, Papua New Guinea, Oman, Philippines, Poland, Portugal, Qatar, South Africa, Romania, Russia, Singapore, Slovenia, Slovakia, Spain, Sri Lanka, Sweden, Switzerland, Thailand, Tunisia, Turkey, Ukraine, Myanmar, United Arab Emirates, United Kingdom, United States of America, Uzbekistan, Venezuela and Vietnam. Under these treaties, the rate of withholding tax generally is reduced to a rate ranging from 0% to 16.5% (including a local income tax) and the tax on capital gains is often eliminated.

Each holder of the notes should inquire whether he or she is entitled to the benefit of a tax treaty with Korea with respect to any transaction involving the notes. It is the responsibility of the party claiming the benefits of a tax treaty in respect of interest payments to file with the company, the purchaser or the securities company, as applicable, a certificate as to his tax residence. In the absence of sufficient proof, the company, the purchaser or the securities company, as applicable, must withhold taxes in accordance with the above discussion.

In order to obtain the benefit of a tax treaty exemption or non-taxation available under the applicable tax treaties, a Non-Resident holder should submit to the payer of such Korean source income, prior to or at the time of first payment, such evidence of tax residence of the Non-Resident holder as the Korean tax authorities may require in support of the claim for treaty protection. Further, Korean tax law requires a Non-Resident holder to submit to the competent tax office, through the payer of such Korean source income the application for the exemption with a certificate of tax residence of the Non-Resident holder issued by a competent authority of the Non-Resident holder's country of residence by the ninth day of the month following the date of first payment. However, this requirement does not apply to exemptions under Korean tax law.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "Savings Directive"), Member States are required 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 beneficial owner resident in that other Member State or to certain limited types of entity established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the termination of such transitional period being the end of the first full fiscal year following the conclusion of certain other agreements to exchange information relating to interest and other similar income with certain non-EU countries). Under such withholding system, tax will be deducted unless, with respect to Luxembourg, the recipient of the payment elects instead for an exchange of information procedure or provides a tax residence certificate in the form prescribed by the Savings Directive to the person making the payment or, in the case of Austria, the recipient of the payment instead provides such a tax residence certificate to the person making the payment. The current rate of withholding is 20% and it will be increased to 35% with effect from July 1, 2011. A number of non-EU countries and certain dependent or associated territories of certain Member States, have adopted or agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within their respective jurisdictions to an individual beneficial owner resident in, or certain limited types of entity established in, a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those countries and territories in relation to payments made by a person in a Member State to an individual beneficial owner resident in, or certain limited types of entity established in, one of those territories.

A proposal for amendments to the Savings Directive has been published, including a number of suggested changes which, if implemented, would broaden the scope of the rules described above. Investors who are in any doubt as to their position should consult their professional advisers.

If a payment were to be made or collected through a Member State that has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive or any law implementing or complying with, or introduced in order to conform to, the Savings Directive, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is, however, required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Savings Directive or any such law.

ROC Taxation

For information with respect to taxation under ROK law, see "ROC Taxation" in the Supplemental Offering Circular.

SUBSCRIPTION AND SALE

Under the terms and conditions contained in a subscription agreement (the "Subscription Agreement") made, or to be made, between the Issuer and the managers named therein (the "Managers", we agree to sell to the Notes to the Managers.

For detailed information on the subscription and sale, see "General Information—How to Purchase Notes" in the Supplemental Offering Circular.

The Managers are offering the Notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by its counsel, including the validity of the Notes, and other conditions contained in the Subscription Agreement, such as the receipt by it of officer's certificates and legal opinions. The Managers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

Selling Restrictions

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Joint Lead Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of the Notes to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

(a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;

(b) at any time to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year, (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(d) at any time in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Hong Kong

Each Joint Lead Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"), by means of any document, any Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance or (ii) in other circumstances which do not result in the document being a prospectus as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) 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, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, 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" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law. No. 25 of 1948 as amended) (the "FIEL") and disclosure under the FIEL has not been and will not be made with respect to any Notes. Each Joint Lead Manager has represented, warranted and agreed that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of 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 re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except (1) pursuant to an exemption from the registration requirements of the FIEL and (2) in compliance with any other applicable laws and regulations and ministerial guidelines of Japan.

Korea

Each Joint Lead Manager has represented, warranted and agreed that Notes have not been and will not be offered, delivered or sold directly or indirectly in Korea or to any resident of Korea (as defined under the Foreign Exchange Transaction Law of Korea and the regulations thereunder) or to others for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea, except as otherwise permitted under the applicable laws of and regulations of Korea.

Each Joint Lead Manager has undertaken that any securities dealer to which it sells Notes confirms that it is purchasing such Notes as principal and agrees with such Joint Lead Manager that it will comply with the restrictions described above.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell the Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Notes:

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)), the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes, as the case may be, pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor under Section 274 of the SFA or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and in accordance with the conditions specified in Section 275 of the SFA;

(2) where no consideration is or will be given for the transfer; or

(3) where the transfer is by operation of law.

United Kingdom

Each Joint Lead Manager has represented and agreed that:

(a) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and

(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.

United States

The Notes have not been and will not be registered under 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 (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the time of delivery of the Notes 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 restricted 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 same meanings given to them by Regulations S.

In addition until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Other Relationships

From time to time, certain of the Managers and their affiliates have provided advisory and investment banking services to us or entered into other commercial transactions with us in the ordinary course of business, for which customary compensation has been received. It is expected that the Managers will continue to provide such services to, and enter into such transactions with us in the future.

INDEX TO FINANCIAL STATEMENTS

Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Stockholders
The Export-Import Bank of Korea:

We have audited the accompanying non-consolidated statements of financial position of The Export-Import Bank of Korea (the "Bank") as of December 31, 2009 and 2008 and the related non-consolidated statements of income, appropriation of retained earnings, changes in equity and cash flows for the years then ended. These non-consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

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

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2009 and 2008 and the results of its operations, the appropriation of its retained earnings, the changes in its equity and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

Without qualifying our opinion, we draw attention to the following:

As discussed in note 2(a) to the non-consolidated financial statements, accounting principles and auditing standards and their application in practice vary among countries. The accompanying non-consolidated financial statements are not intended to present the financial position, results of operations, changes in equity and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such non-consolidated financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying non-consolidated financial statements are for use by those knowledgeable about Korean accounting principles and auditing standards and their application in practice.

KPMG Samjong Accounting Corp.
Seoul, Korea
February 26, 2010

This report is effective as of February 26, 2010, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying non-consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

THE EXPORT-IMPORT BANK OF KOREA

Non-Consolidated Statements of Financial Position
As of December 31, 2009 and 2008

	Note	2009	2008
		(In millions of Won)	
Assets			
Due from banks	*3,19,23*	₩ 873,768	231,679
Securities	*4,19*	3,278,036	2,396,462
Loans, net	*5, 6,19,22*	36,346,505	31,885,044
Property and equipment	*7*	34,868	36,127
Other assets	*8,15*	1,494,640	1,432,625
Total assets		42,027,817	35,981,937
Liabilities			
Borrowings and debentures	*9,19,22*	33,301,792	27,770,920
Other liabilities	*10,11,12,15*	2,262,670	3,120,663
Total liabilities		35,564,462	30,891,583
Stockholders' equity			
Common stock	*13*	5,008,755	3,958,755
Accumulated other comprehensive income	*4,20*	350,392	53,220
Retained earnings	*13*	1,104,208	1,078,379
Total stockholders' equity		6,463,355	5,090,354
Total liabilities and stockholders' equity		₩42,027,817	35,981,937

See accompanying notes to non-consolidated financial statements.

THE EXPORT-IMPORT BANK OF KOREA

Non-Consolidated Statements of Income
For the years ended December 31, 2009 and 2008

	Note	2009	2008
		(In millions of Won)	
Interest income	*16, 22*		
Interest on due from banks		₩ 17,804	17,181
Interest and dividends on securities		9,214	40,962
Interest on loans		1,418,051	1,390,238
		1,445,069	1,448,381
Interest expense	*16, 22*		
Interest on call money		10,216	17,171
Interest on borrowings		137,746	172,408
Interest on debentures		1,075,981	917,272
		1,223,943	1,106,851
Net interest income		221,126	341,530
Provision for loan losses	*6*	338,837	93,010
Net interest income after provision for loan losses		(117,711)	248,520
Non-interest income:			
Fee and commission income	*22*	247,002	185,564
Gain on sale of available-for-sale securities	*4*	24,791	13,498
Gain from equity method accounted investment securities	*4*	7,082	2,284
Reversal of allowances for unused loan commitments	*11*	—	11,081
Gain on foreign currency transactions		959,997	2,158,480
Gain on derivatives transactions		517,540	356,796
Gain on valuation of derivatives	*15*	640,340	473,353
Gain on valuation of fair value hedged items		110,856	470,166
Other		7,477	2,672
		₩2,515,085	3,673,894
Non-interest expense:			
Fee and commission expense		₩ 3,972	3,123
General and administrative expense	*17*	113,600	122,958
Loss on sale of available-for-sale securities	*4*	—	2,293
Impairment loss on available-for-sale securities		—	2
Loss on foreign currency transactions		1,311,613	1,063,790
Loss on derivatives transactions		294,031	904,090
Loss on valuation of derivatives	*15*	160,753	1,211,389
Loss on valuation of fair value hedged items		381,748	351,573
Contribution to fund		4,402	2,796
Provision for acceptances and guarantees losses	*11*	56,158	59,489
Provision for unused loan commitments	*11*	33,311	—
Other		3,717	5,452
		2,363,305	3,726,955
Net non-interest income		151,780	(53,061)
Income before income taxes		34,069	195,459
Income taxes	*18*	8,240	101,485
Net income		₩ 25,829	93,974

See accompanying notes to non-consolidated financial statements.

THE EXPORT-IMPORT BANK OF KOREA

Non-Consolidated Statements of Appropriation of Retained Earnings
For the years ended December 31, 2009 and 2008

Date of Appropriation for 2009: February 26, 2010
Date of Appropriation for 2008: February 27, 2009

	Note	2009	2008
		(In millions of Won)	
Unappropriated retained earnings			
Balance at beginning of year		₩ —	—
Net income		25,829	93,974
Balance at end of year before appropriation		25,829	93,974
Appropriation of retained earnings			
Legal reserve		5,166	18,795
Other reserve		16,143	75,179
Dividends	*21*	4,520	—
Unappropriated retained earnings to be carried over to subsequent year		₩ —	—

See accompanying notes to non-consolidated financial statements.

THE EXPORT-IMPORT BANK OF KOREA

Non-Consolidated Statements of Changes in Equity
For the years ended December 31, 2009 and 2008

	Note	Common stock	Accumulated other comprehensive income	Retained earnings	Total stockholders' equity
		(In millions of Won)			
Balance at January 1, 2008		₩3,308,755	617,762	1,009,022	4,935,539
Dividends		—	—	(24,617)	(24,617)
Issuance of common stock		650,000	—	—	650,000
Net income		—	—	93,974	93,974
Change in fair value of available-for-sale securities, net of tax	*20*	—	(560,154)	—	(560,154)
Proportionate share of investees' net income under equity method	*20*	—	(4,388)	—	(4,388)
Balance at December 31, 2008		₩3,958,755	53,220	1,078,379	5,090,354
Balance at January 1, 2009		₩3,958,755	53,220	1,078,379	5,090,354
Dividends	*21*	—	—	—	—
Issuance of common stock		1,050,000	—	—	1,050,000
Net income		—	—	25,829	25,829
Change in fair value of available-for-sale securities, net of tax	*20*	—	292,108	—	292,108
Proportionate share of investees' net income under equity method	*20*	—	5,064	—	5,064
Balance at December 31, 2009		₩5,008,755	350,392	1,104,208	6,463,355

See accompanying notes to non-consolidated financial statements.

THE EXPORT-IMPORT BANK OF KOREA

Non-Consolidated Statements of Cash Flows
For the years ended December 31, 2009 and 2008

	2009	2008
	(In millions of Won)	
Cash flows from operating activities:		
Net income	₩ 25,829	93,974
Adjustments for:		
Amortization of discounts on debentures	185,447	79,836
Provision for loan losses	338,837	93,010
Loss on foreign currency transactions	1,311,613	1,063,790
Depreciation	3,388	3,325
Amortization	1,019	2,352
Provision for severance benefits	5,166	5,972
Loss on disposal of property and equipment	165	12
Provision for acceptances and guarantees losses	56,158	59,489
Provision for unused loan commitments	33,311	—
Loss on valuation of derivatives	160,753	1,211,389
Loss on valuation of fair value hedged items	381,748	351,573
Amortization of present value discount	(2,420,000)	(4,970)
Accreditation on premium on debentures	—	(2,161)
Gain on foreign currency transactions	(959,997)	(2,158,480)
Reversal of allowances for unused loan commitments	—	(11,081)
Gain on disposal of property and equipment	(275)	(42)
Gain from equity method accounted investments	(7,082)	(2,284)
Gain on valuation of derivatives	(640,340)	(473,353)
Gain on valuation of fair value hedged items	(110,856)	(470,166)
Others, net	46	1,576
	(1,660,899)	(250,213)
Changes in assets and liabilities:		
Decrease in available-for-sale securities, net	16,004	19,257
Increase in loans, net	(4,843,052)	(9,538,693)
Decrease in other assets, net	474,322	111,820
Increase (decrease) in other liabilities, net	(963,237)	459,963
Payment of severance benefits	(15,339)	(5,132)
Dividend received from equity method accounted investments	83	203
	(5,331,219)	(8,952,582)
Net cash used in operating activities	₩(6,966,289)	(9,108,821)
Cash flows from investing activities:		
Decrease in restricted due from banks	₩ —	2,577
Proceeds from sale of property and equipment	134	43
Proceeds from sale of other assets	4,773	1,955
Acquisition of property and equipment	(2,132)	(2,576)
Acquisition of intangible assets	(2,526)	(399)
Acquisition of other assets	(2,248)	(818)
Net cash provided by (used in) investing activities	(1,999)	782
Cash flows from financing activities:		
Proceeds from borrowings	—	2,990,060
Proceeds from debentures	9,119,116	6,267,487
Proceeds from issuance of common stock	550,000	—
Repayment of borrowings	(2,058,739)	—
Dividends paid	—	(24,617)
Net cash provided by financing activities	7,610,377	9,232,930
Net increase in cash and due from banks	642,089	124,891
Cash and due from banks at beginning of period	231,679	106,788
Cash and due from banks at end of period (note 23)	₩ 873,768	231,679

See accompanying notes to non-consolidated financial statements

THE EXPORT-IMPORT BANK OF KOREA

Notes to Non-Consolidated Financial Statements
December 31, 2009 and 2008

1. Organization and Description of Business

The Export-Import Bank of Korea (the "Bank") was established in 1976 as a special financial institution under the Export-Import Bank of Korea Act (the "EXIM Bank Act") to grant financial facilities for overseas trade (i.e. import and export), investments and resources development activities. As of December 31, 2009, the Bank operates 11 domestic branches, 4 overseas subsidiaries and 18 overseas offices.

The Bank's authorized capital is ₩8,000,000 million, and, through numerous capital increases since the establishment, its paid-in capital is ₩5,008,755 million as of December 31, 2009. The Government of the Republic of Korea (the "Government"), the Bank of Korea (the "BOK") and Korea Finance Corporation hold 73.67%, 23.26% and 3.07% of the ownership of the Bank, respectively, as of December 31, 2009.

The Bank, as a trustee of the Government, has managed the Economic Development Cooperation Fund, the Inter-Korean Cooperation Fund and Exchange Equalization Fund (the "Funds") since June 1987, March 1991 and November 2008, respectively. The Funds are accounted independently and not included in the Bank's financial statements. The Bank receives a fee from the Government for the trustee service.

2. Basis of Presenting Financial Statements and Summary of Significant Accounting Policies

(a) Basis of Presenting Financial Statements

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

Certain information attached to the Korean language non-consolidated financial statements, but not required for a fair presentation of the Bank's financial position, results of operations, cash flows or changes in equity is not presented in the accompanying non-consolidated financial statements.

(b) Revenue Recognition

The Bank recognizes interest income from deposits, loans and securities on an accrual basis. However, the Bank recognizes interest income when payments are received for on the loans which principal or interest payments are overdue without guarantee of payment by financial institutions and of which repayment is significantly uncertain. The interest is accrued but not recognized on such loans amounted to ₩4,775 million and ₩9,774 million, respectively, as of December 31, 2009 and 2008. Any uncollected interest previously accrued on such loans is reversed and recorded as deduction of current period's interest income.

(c) Investments in Securities (Excluding Investments in Associates and Subsidiaries)

Classification

Upon acquisition, the Bank classifies debt and equity securities (excluding investments in subsidiaries, associates and joint ventures) into the following categories: held-to-maturity, available-for-sale or trading securities.

Investments in debt securities where the Bank has the positive intent and ability to hold to maturity are classified as held-to-maturity. Securities that are acquired principally for the purpose of selling in the short term are classified as trading securities. Investments not classified as either held-to-maturity or trading securities are classified as available-for-sale securities.

Initial recognition

Investments in securities (excluding investments in subsidiaries, associates and joint ventures) are initially recognized at cost.

Subsequent measurement and income recognition

Trading securities are subsequently carried at fair value. Gains and losses arising from changes in the fair value of trading securities are included in the income statement in the period in which they arise. Available-for-sale securities are subsequently carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale securities are recognized as accumulated other comprehensive income, net of tax, directly in equity. Investments in available-for-sale securities that do not have readily determinable fair values are recognized at cost less impairment, if any. Held-to-maturity investments are carried at amortized cost with interest income and expense recognized in the income statement using the effective interest method.

Fair value information

The fair value of marketable securities is determined using quoted market prices as of the period end. Non-marketable debt securities are fair valued by discounting cash flows using the prevailing market rates for debt with a similar credit risk and remaining maturity. Credit risk is determined using the Bank's credit rating as announced by accredited credit rating agencies in Korea. The fair value of investments in money market funds is determined by investment management companies.

Impairment

The Bank reviews investments in securities whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. Impairment losses are recognized when the reasonably estimated recoverable amounts are less than the carrying amount and it is not obviously evidenced that impairment is unnecessary.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized and a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized in the asset in prior years.

(d) Investments in Associates and Subsidiaries

Associates are entities of the Bank and its subsidiaries that have the ability to significantly influence the financial and operating policies. It is presumed to have significant influence if the Bank holds directly or indirectly 15 percent or more of the voting power unless it can be clearly demonstrated that this is not the case. Subsidiaries are entities controlled by the Bank.

Investments in associates and subsidiaries are accounted for using the equity method of accounting and are initially recognized at cost.

The Bank's investments in associates and subsidiaries include goodwill identified on the acquisition date (net of any accumulated impairment loss). Goodwill is calculated as the excess of the acquisition cost of an investment in an associate or subsidiary over the Bank's share of the fair value of the identifiable net assets acquired. Goodwill is amortized using the straight-line method over its estimated useful life. Amortization of goodwill is recorded together with equity income (losses).

When events or circumstances indicate that the carrying value of goodwill may not be recoverable, the Bank reviews goodwill for impairment and records any impairment loss immediately in the statement of income.

The Bank's share of its post-acquisition profits or losses in investments in associates and subsidiaries is recognized in the income statement, and its share of post-acquisition movements in equity is recognized in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of each investment. Changes in the carrying amount of an investment resulting from dividends by an associate or subsidiary are recognized when the associate or subsidiary declares the dividend. When the Bank's share of losses in an associate or subsidiary equals or exceeds its interest in the associate or subsidiary, including preferred stock or other long term loans and receivables issued by the associate or subsidiary, the Bank does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate or subsidiary.

If an associate or a subsidiary uses accounting policies or estimates other than those of the Bank for like transactions and events in similar circumstances, the Bank makes appropriate adjustments to conform the associate's accounting policies to those of the Bank when the associate's financial statements are used by the Bank in applying the equity method. However, under the revised SKAS No. 15 *Equity Method of Accounting*, in the event that accounting policies and estimates differ due to the application of Exceptions to Accounting for Small and Medium-Sized Entities or K-IFRS, no adjustments are made.

If the investee is a subsidiary, net income and net assets of the parent company's separate financial statements should agree with the parent company's share in the net income and net assets of the consolidated financial statements, except when the Company discontinues the application of the equity method due to its investment in a subsidiary being reduced to zero.

Unrealized gains on transactions between the Bank and its associates or subsidiaries are eliminated to the extent of the Bank's interest in each associate or subsidiary.

(e) Allowance for Loan Losses

Based on future loan repayment capacity of the borrower and past repayment history, the Bank classifies loans into five categories, "normal", "precautionary", "substandard", "doubtful" and "estimated loss", in accordance with the banking regulation in the Republic of Korea. Except for call loans and inter-bank loans with "normal" classification, the Bank provides allowance by each loan classification with the amount greater of using the expected loss method or the prescribed minimum levels of reserves in accordance with the Financial Supervisory Service Guideline ("FSS Guideline").

i) Expected Loss Method

The allowance for normal loans is calculated by multiplying each outstanding loan balance by probability of default ("PD") and loss given default ("LGD"). The Bank provides additional allowance for considering risks associated with a certain industry and country concentration. The allowances for loans classified other than "normal" are estimated based on expected future cash flows.

ii) FSS Guideline

The prescribed minimum levels of reserves in the Regulations for the Supervision of Banks guide are as follows:

Normal (*)	0.85%
Precautionary	7%
Substandard	20%
Doubtful	50%
Estimated loss	100%

(*) 0.9% for market sensitive sectors including construction, real estate and rental services, retail and wholesale, lodging and restaurant

(f) Troubled Debt Restructuring

Loans with modified contract terms by a trouble debt restructuring program are accounted for at the present value of the rescheduled future cash flow expected, of which the discount rate is same as the effective rate of the original loan. The excess of the carrying amount over the present value of expected cash flows is recorded in allowance for loan loss in the current period. The present value discounts are recorded in allowance for loan loss and reflected as a deduction from the nominal value of the loans. If the previously recognized allowance for loan loss is greater than the present value discount, the difference is recorded as reversal of allowance for loan loss.

(g) Deferred Loan Origination Fees

Certain fees associated with lending activities, which meet specified criteria, are deferred and amortized over the life of the loan as an adjustment to the carrying amount of the loan using the effective yield method and recognized as interest income.

(h) Property, Plant and Equipment

Property, plant and equipment are stated at cost, except in the case of revaluations made in accordance with the Asset Revaluation Law, which allowed for asset revaluation prior to the Law being revoked on December 31, 2000. Assets acquired through investment in kind or donation are recorded at their fair value upon acquisition. For assets acquired in exchange for a non-monetary asset, the fair value of the asset given up is used to measure the cost of the asset received unless the fair value of the asset received is more clearly evident.

Significant additions or improvements extending the useful life of assets are capitalized. Normal maintenance and repairs are charged to expense as incurred.

Property and equipment are depreciated over the estimated useful lives of the assets using the following methods:

	Useful lives (years)	Depreciation method
Buildings	10~60	Straight-line (*)
Vehicles	4	Declining balance
Equipment	4~20	Declining balance

(*) Buildings acquired and related improvements made prior to January 1, 1995 are depreciated using the declining-balance method.

The Bank reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the expected estimated undiscounted future net cash flows from the use of the asset and its eventual disposal are less than its carrying amount.

(i) Intangible Assets

Intangible assets are stated at the production or purchase cost, plus incidental expenses and capital expenditures. Amortization is computed using the straight-line method over five years, and directly reduced from intangible assets.

Intangible assets are subject to an impairment review if there are events or changes in circumstances which indicate that the carrying amount may not be recoverable. An impairment loss is recognized by reducing the carrying amount to the recoverable amount.

(j) Discount (Premium) on Debentures

Discount (premium) on debentures issued, which represents the difference between the face value and issuance price of debentures, is amortized (accreted) using the effective interest rate method over the life of the debentures. The amount amortized (accreted) is included in interest expense.

(k) Retirement and Severance Benefits

Employees who have been with the Bank for more than one year are entitled to lump-sum payments based on salary rates and length of service at the time they leave the Bank. The Bank's estimated liability under the plan, which would be payable if all employees left at the end of the reporting period, is accrued in the accompanying non-consolidated statements of financial position.

Through March 1999, under the National Pension Scheme of Korea, the Bank transferred a certain portion of retirement allowances for employees to the National Pension Fund. The amount transferred reduced the retirement and severance benefit amount to be paid to the employees when they leave the Bank and is accordingly reflected in the accompanying non-consolidated financial statements as a reduction of the retirement and severance benefits liability. However, due to regulation effective April 1999, such transfers to the National Pension Fund are no longer required.

(l) Allowance for Acceptances and Guarantees

The Bank provides allowance for outstanding acceptances and guarantees, the amount after considering the credit conversion factors (CCF), using the same allowance methodology used for estimating allowance for loan loss. However, the Bank does not provide additional allowance for risks associated with a certain industry and country concentration for unconfirmed acceptances and guarantees.

(m) Allowance for Unused Loan Commitments

The Bank provides allowance for unused loan commitments, the amount after considering the credit conversion factors (CCF), using the same allowance methodology used for estimating allowance for loan loss. However, the Bank does not provide the additional allowance for risks associated with a certain industry and country concentration for unused loan commitments.

(n) Provisions

Provisions are recognized when all of the following are met: (1) the Bank has a present obligation as a result of a past event, (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (3) a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, a provision is recorded at the present value of the expenditures expected to be required to settle the obligation.

Where the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset when, and only when, it is virtually certain that reimbursement will be received if the Bank settles the obligation. The expense generated by the provision is presented net of the amount of expected reimbursement.

(o) Derivatives and Hedge Accounting

The Bank holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Attributable transaction costs are recognized in profit or loss when incurred.

Hedge accounting

Where a derivative, which meets certain criteria, is used for hedging the exposure to changes in the fair value of a recognized asset, liability or firm commitment, it is designated as a fair value hedge. Where a derivative, which meets certain criteria, is used for hedging the exposure to the variability of the future cash flows of a forecasted transaction it is designated as a cash flow hedge.

The Bank documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Bank also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting the changes in fair values or cash flows of hedged items.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Derivatives that do not qualify for hedge accounting

Changes in the fair value of derivative instruments that are not designated as fair value hedges are recognized immediately in the statement of income.

(p) Income Taxes

Income tax on the income or loss for the year comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are classified as current or non-current based on the classification of the related asset or liability for financial reporting or the expected reversal date of the temporary difference for those with no related asset or liability such as loss carryforwards and tax credit carryforwards. The deferred tax amounts are presented as a net current asset or liability and a net non-current asset or liability.

Changes in deferred taxes due to a change in the tax rate except for those related to items initially recognized outside profit or loss (either in other comprehensive income or directly in equity) are recognized as income in the current year.

(q) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the foreign exchange rate on the end of the reporting period, with the resulting gains or losses recognized in the income statement. Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at ₩1,167.60 and ₩1,257.50 to USD 1 based on the basic exchange rate and the cross exchange rate announced by the Seoul Monetary Brokerage Services Ltd. on December 31, 2009 and 2008. Financial statements of foreign-based operations, branches and companies accounted for using the equity method, are translated at the rate of exchange on the end if the reporting period.

(r) Use of Estimates

The preparation of non-consolidated financial statements in accordance with accounting principles generally accepted in the Republic of Korea requires management to make estimates and assumptions that affect the amounts reported in the non-consolidated financial statements and related notes to non-consolidated financial statements. Actual results could differ from those estimates.

(s) Reclassification

Certain reclassifications have been made to the prior year non-consolidated financial statements to conform to the 2009 presentation.

3. Due from banks

(a) Due from banks as of December 31, 2009 and 2008 are as follows:

	Financial institution	Interest (%)	2009	2008
			(in millions of Won)	
Due from banks in local currency:	Reserve deposit	—	₩ 1	2
	Demand deposits	—	837	1,674
	Time deposits	2.3~3.85	620,000	70,000
	Certificate of deposits	2.8~3.3	—	130,000
	Others	1.9~2.3	226,400	5,100
			847,238	206,776
Due from banks in foreign currency:	Demand deposits	—	16,925	11,047
	Others	FFR-0.13 and others	9,605	13,856
			26,530	24,903
			₩873,768	231,679

(b) As of December 31, 2009 and 2008, the Bank does not have the restricted deposits.

(c) Due from banks by financial institution as of December 31, 2009 and 2008 are as follows:

	2009			2008		
	Due from banks in local currency	Due from banks in foreign currencies	Total	Due from banks in local currency	Due from banks in foreign currencies	Total
	(in millions of Won)					
BOK	₩ 1	—	1	2	—	2
Banks	847,237	26,407	873,644	206,774	24,713	231,487
Others	—	123	123	—	190	190
	₩847,238	26,530	873,768	206,776	24,903	231,679

(d) The maturities of due from banks as of December 31, 2009 and 2008 are as follows:

	2009		
	Due in 3 months or less	Due after 3 months to 6 months	Total
	(in millions of Won)		
Due from bank in local currency	₩732,238	115,000	847,238
Due from banks in foreign currencies	26,530	—	26,530
	₩758,768	115,000	873,768

	2008		
	Due in 3 months or less	Due after 3 months to 6 months	Total
	(in millions of Won)		
Due from bank in local currency	₩ 6,776	200,000	206,776
Due from banks in foreign currencies	24,903	—	24,903
	₩31,679	200,000	231,679

4. Securities

(a) Securities as of December 31, 2009 and 2008 are as follows:

	2009	2008
	(in millions of Won)	
Equity securities		
Marketable equity securities	₩1,132,414	645,220
Non-marketable equity securities	2,029,069	1,647,899
Equity investment	1,459	1,276
	3,162,942	2,294,395
Debt securities		
Government and public bonds	—	1
Equity method accounted investments	115,094	102,066
	₩3,278,036	2,396,462

(b) Marketable equity securities as of December 31, 2009 and 2008 are as follows:

	2009			
	No. of shares	Ownership (%)	Book value before fair value adjustment	Fair value (book value)
		(in millions of Won)		
Korea Exchange Bank ("KEB")	40,314,387	6.25	₩255,190	584,559
Industrial Bank of Korea	8,501,153	1.56	65,374	119,016
Daewoo International Corporation (*)	10,996,400	11.24	225,096	311,935
SK Networks Co., Ltd. (*)	9,886,160	4.07	80,041	116,904
			₩625,701	1,132,414

(*) These securities, except for 2,820,909 shares of SK Networks Co., Ltd., are restricted for sale as of December 31, 2009. The Bank recorded the fair value of these securities restricted for sale by using the fair value information from the external evaluation agency, the Korea Bond Pricing ("KBP").

	2008			
	No. of shares	Ownership (%)	Book value before fair value adjustment	Fair value (book value)
		(in millions of Won)		
KEB	40,314,387	6.25	₩ 584,559	255,190
Industrial Bank of Korea	8,501,153	1.92	149,620	65,374
Daewoo International Corporation (*)	10,996,400	11.58	385,028	225,096
SK Networks Co., Ltd. (*)	10,514,605	4.33	219,930	85,320
Hyundai Corporation (*)	1,031,600	4.62	21,060	14,166
SG Global Corporation	18,903	0.15	151	74
			₩1,360,348	645,220

(*) These securities, except for 3,449,354 shares of SK Networks Co., Ltd. and 449,276 shares of Hyundai Corporation, are restricted for sale as of December 31, 2008. The Bank recorded the fair value of these securities restricted for sale by using the fair value information from KBP.

(c) Non-marketable equity securities as of December 31, 2009 and 2008 are as follows:

	2009			
	No. of shares	Ownership (%)	Book value before fair value adjustment	Book value (*)
		(in millions of Won)		
Korea Expressway Corp.	180,580,254	8.03	₩1,311,341	1,634,071
Kyobo Life Insurance Co., Ltd.	1,199,001	5.85	288,659	288,659
Industrial Bank of Korea (preferred stock)	6,210,000	6.34	42,979	78,246
Korea Ship Finance	254,000	14.99	1,270	1,496
Daewoo Electronics Corp.	224,580	0.21	157	175
Pantech Co., Ltd.	58,713,052	3.56	419	24,425
SB Telcom	420,984	3.29	210	210
Hanchang Paper Co., Ltd	1,848,000	4.84	—	965
Korea Data Systems Co., Ltd	320	0.24	2	2
Others	31,105,786	—	820	820
			₩1,645,857	2,029,069

(*) As of December 31, 2009, the Bank recorded the fair value of the shares of Korea Expressway Corp., Industrial Bank of Korea (preferred stock), Korea Ship Finance, Daewoo Electronics Corp., Pantech Co., Ltd., Hanchang Paper Co., Ltd. and Korea Data Systems Co., Ltd. by using the fair value information from KBP. The other securities were recorded at the acquisition costs since the fair value was not readily determinable. The shares of Daewoo Electronics Corp., Pantech Co., Ltd., SB Telcom, Hanchang Paper Co., Ltd. and Korea Data Systems Co., Ltd. are restricted for sale as of December 31, 2009.

	2008			
	No. of shares	Ownership (%)	Book value before fair value adjustment	Book value (*)
		(in millions of Won)		
Korea Expressway Corp.	131,134,051	6.21	₩1,311,341	1,311,341
Kyobo Life Insurance Co., Ltd.	1,199,001	5.85	288,659	288,659
Industrial Bank of Korea (preferred stock)	6,210,000	6.34	98,366	42,979
Korea Ship Finance	254,000	14.99	1,270	1,270
Daewoo Electronics Corp.	224,580	0.21	133	157
Pantech Co., Ltd.	19,944,000	7.13	319	419
Pantech & Curitel Co., Ltd.	11,160,000	2.20	1,205	2,734
Korea Data Systems Co., Ltd.	320	0.24	11	2
SB Telcom	420,984	3.29	210	210
Others	39,608	—	128	128
			₩1,701,642	1,647,899

(*) As of December 31, 2008, the Bank recorded the fair value of the shares of Industrial Bank of Korea (preferred stock), Daewoo Electronics Corp., Pantech Co., Ltd., Pantech & Curitel Co., Ltd. and Korea Data Systems Co., Ltd. by using the fair value information from KBP. The other securities were recorded at the acquisition costs since the fair value was not readily determinable. The shares of Daewoo Electronics Corp., Pantech Co., Ltd. and Pantech & Curitel Co., Ltd. were restricted for sale as of December 31, 2008.

(d) Equity investments as of December 31, 2009 and 2008 were as follows:

	2009		
	Ownership (%)	Book value before fair value adjustment	Book value
		(in millions of Won)	
Korea Asset Management Corporation	0.47	₩1,220	1,220
Korea Money Brokerage Corporation	0.56	56	239
		₩1,276	1,459

	2008		
	Ownership (%)	Book value before adjustment	Book value
		(in millions of Won)	
Korea Asset Management Corporation	0.47	₩1,220	1,220
Korea Money Brokerage Corporation	0.56	56	56
		₩1,276	1,276

(e) Disposal of securities during the years ended December 31, 2009 and December 31, 2008, respectively, are as follows:

	2009			
	No. of shares	Disposed price	Acquisition costs	Realized gain (loss)
		(in millions of Won)		
SK Networks Co., Ltd.	628,445	₩10,403	3,111	7,292
Hyundai Corporation	1,031,600	19,736	12,829	6,907
Daewoo International Corporation	329,892	10,539	—	10,539
SG Global Corporation	18,903	148	95	53
		₩40,826	16,035	24,791

	2008			
	No. of shares	Disposed price	Acquisition costs	Realized gain (loss)
		(in millions of Won)		
SK Networks Co., Ltd.	317,501	₩27,781	14,406	13,375
Hyundai IT Corporation	2,337,955	2,367	4,660	(2,293)
SG Global Corporation	38,270	314	191	123
		₩30,462	19,257	11,205

(f) Details of equity method accounted investments securities as of December 31, 2009 and 2008 are as follows:

	Ownership (%)	Acquisition costs	Book value	
			2009	2008
		(in millions of Won)		
KEXIM Bank UK Limited	100.00	₩41,590	46,590	44,708
KEXIM Vietnam Leasing Co.	100.00	13,564	8,781	9,543
PT. KOEXIM Mandiri Finance	85.00	5,003	20,035	14,474
KEXIM Asia Limited	100.00	31,302	39,688	33,341
		₩91,459	115,094	102,066

(g) As of December 31, 2009 and 2008, the valuation gain and loss on equity method accounted investment securities are as follows:

	2009					
	Beginning balances	Dividend	Gain (loss)	Accumulated other comprehensive income (loss)	Others	Ending balances
			(in millions of Won)			
KEXIM Bank UK Limited	₩ 44,708	—	407	—	1,475	46,590
KEXIM Vietnam Leasing Co.	9,543	—	(80)	—	(682)	8,781
PT. KOEXIM Mandiri Finance	14,474	(51)	4,085	432	1,095	20,035
KEXIM Asia Limited	33,341	(32)	2,670	6,060	(2,351)	39,688
	₩102,066	(83)	7,082	6,492	(463)	115,094

	2008					
	Beginning balances	Dividend	Gain (loss)	Accumulated other comprehensive income (loss)	Others	Ending balances
	(in millions of Won)					
KEXIM Bank UK Limited	₩45,738	(122)	455	—	(1,363)	44,708
KEXIM Vietnam Leasing Co.	7,035	—	113	—	2,395	9,543
PT. KOEXIM Mandiri Finance	11,735	(31)	1,022	—	1,748	14,474
KEXIM Asia Limited	28,464	(50)	694	(5,437)	9,670	33,341
	₩92,972	(203)	2,284	(5,437)	12,450	102,066

Due to the time lag in obtaining audited or reviewed financial statements of the investees for the preparation of the Bank's financial statements, the financial statements prepared by the investees' management have been used for equity method accounting. The Bank performed additional procedures to review the reliability of those financial statements prepared by the investees' management.

(h) The summary of financial positions and operation results of the subsidiaries of equity method accounted investment securities as of December 31, 2009 and 2008 are as follows:

	2009			
	Assets	Liabilities	Stockholders' equity	Net income
	(in millions of Won)			
KEXIM Bank UK Limited	₩ 411,732	365,142	46,590	407
KEXIM Vietnam Leasing Co.	88,628	79,847	8,781	(80)
PT. KOEXIM Mandiri Finance	145,873	122,303	23,570	4,806
KEXIM Asia Limited	334,840	295,152	39,688	2,670
	₩ 981,073	862,444	118,629	7,803

	2008			
	Assets	Liabilities	Stockholders' equity	Net income
	(in millions of Won)			
KEXIM Bank UK Limited	₩ 449,475	404,767	44,708	455
KEXIM Vietnam Leasing Co.	103,293	93,750	9,543	113
PT. KOEXIM Mandiri Finance	140,129	123,006	17,123	1,102
KEXIM Asia Limited	385,459	352,118	33,341	694
	₩1,078,356	973,641	104,715	2,364

(j) Changes in valuation gain (loss) on available-for-sale securities and equity method accounted investment securities for the years ended December 31, 2009 and December 31, 2008, respectively, are as follows:

	2009			
	Beginning balance	Unrealized gain (loss)	Disposition	Ending balance
	(in millions of Won)			
Equity method accounted investments	₩(5,811)	5,064	—	(747)
Available-for-sale securities:				
Equity securities	59,031	294,826	(2,718)	351,139
	₩53,220	299,890	(2,718)	350,392

	2008				
	Beginning balance	Unrealized gain (loss)	Disposition	Others (*)	Ending balance
	(in millions of Won)				
Equity method accounted investments	₩ (1,423)	(3,978)	—	(410)	(5,811)
Available-for-sale securities:					
Equity securities	619,185	(599,719)	(6,886)	46,451	59,031
	₩617,762	(603,697)	(6,886)	46,041	53,220

(*) Unrealized gain(loss) on available-for-sale securities and unrealized holding gain(loss) on equity method investment securities, both of which are included in accumulated other comprehensive income for the year ended December 31, 2008, are incurred due to the amendment of income tax rate in 2008.

5. Loans

(a) Loans outstanding as of December 31, 2009 and 2008 are as follows:

	2009	2008
	(in millions of Won)	
Loans in local currency:		
Loans for export	₩ 8,280,528	4,501,138
Loans for overseas investment	138,163	76,616
Loans for import	1,275,609	1,253,214
Others	16,178	238,731
	9,710,478	6,069,699
Loans in foreign currencies:		
Loans for export	12,815,378	12,119,424
Loans for overseas investment	10,256,463	9,789,632
Trading note rediscount loans	—	568,893
Loans for import	1,188,196	1,073,219
Overseas funding loans	703,052	731,447
Domestic usance bills	144,581	67,148
Privately placed bonds	—	2,666
Inter-bank loans	141,280	71,615
Others	118	144
	25,249,068	24,424,188
Valuation adjustment of loans in foreign currencies (*)	242,542	521,615
Deferred loan origination fees	(94,946)	(59,216)
	25,396,664	24,886,587
Bills bought in local currency	51,720	74,324
Bills bought in foreign currencies	559,591	473,050
Advances for customers	109,860	2,527
Call loans:		
Call loans in foreign currencies	1,742,598	1,345,805
Total loans before allowances for loan losses	37,570,911	32,851,992
Allowance for loan losses	(1,224,406)	(966,948)
Loans, net of allowance for loan losses	₩36,346,505	31,885,044

(*) Interest rate swap was contracted to hedge the changes in the fair value of loan commitment in foreign currencies resulting from the volatility in the interest rate. The gain on valuation of loan commitment, which was confirmed, was recognized as valuation adjustment of loans in foreign currencies.

(b) Loans classified by customer as of December 31, 2009 and 2008 are as follows:

	2009			
	Loans in local currency	Loans in foreign currencies (*2)	Total	Ratio (%)
	(in millions of Won)			
Large corporations	₩7,532,120	9,099,527	16,631,647	47.57
Small and medium company (*1)	2,178,358	2,010,546	4,188,904	11.98
Public sector and others	—	14,138,995	14,138,995	40.45
	₩9,710,478	25,249,068	34,959,546	100.00

	2008			
	Loans in local currency	Loans in foreign currencies (*2)	Total	Ratio (%)
	(in millions of Won)			
Large corporations	₩4,508,455	8,237,704	12,746,159	41.80
Small and medium company (*1)	1,561,244	1,675,447	3,236,691	10.61
Public sector and others	—	14,511,037	14,511,037	47.59
	₩6,069,699	24,424,188	30,493,887	100.00

(*1) Small and medium company is defined in Paragraph 1 of Article 2 of the Small and Medium Company Law.
(*2) The amounts of loans in foreign currencies in the above table exclude deferred loan origination fees and valuation adjustment of loans in foreign currencies.

(c) Loans to other financial institutions as of December 31, 2009 and 2008 are as follows:

	Other banks	Others	Total
	(in millions of Won)		
Loans in local currency	₩ —	451,500	451,500
Loans in foreign currencies	141,280	2,439,325	2,580,605
Other	1,742,598	231,041	1,973,639
	₩1,883,878	3,121,866	5,005,744

	Other banks	Others	Total
Loans in foreign currencies	₩ 71,615	2,980,131	3,051,746
Other	1,345,805	195,007	1,540,812
	₩1,417,420	3,175,138	4,592,558

(d) Loans classified by industry as of December 31, 2009 and 2008 are as follows:

	2009				
	Loans in local currency	Loans in foreign currencies (*)	Others	Total	Ratio (%)
	(in millions of Won)				
Manufacturing	₩8,171,704	8,551,178	380,397	17,103,279	45.70
Transportation	180,690	8,453,389	1,072	8,635,151	23.07
Finance and insurance	451,500	2,580,605	1,973,639	5,005,744	13.38
Wholesale and retail	149,544	951,228	81,598	1,182,370	3.16
Real estate	—	36,312	—	36,312	0.10
Construction	698,433	132,928	—	831,361	2.22
Public sector and others	58,607	4,543,428	27,063	4,629,098	12.37
	₩9,710,478	25,249,068	2,463,769	37,423,315	100.00

	2008				
	Loans in local currency	Loans in foreign currencies (*)	Others	Total	Ratio (%)
	(in millions of Won)				
Manufacturing	₩4,809,383	7,797,265	252,450	12,859,098	39.70
Transportation	146,360	8,577,035	12,840	8,736,235	26.97
Finance and insurance	—	3,051,746	1,540,812	4,592,558	14.18
Wholesale and retail	336,655	1,039,454	59,440	1,435,549	4.43
Real estate	—	92,141	—	92,141	0.28
Construction	746,851	112,923	—	859,774	2.65
Public sector and others	30,450	3,753,624	30,164	3,814,238	11.79
	₩6,069,699	24,424,188	1,895,706	32,389,593	100.00

(*) The amounts of loans in foreign currencies in the above table exclude deferred loan origination fees and valuation adjustment of loans in foreign currencies.

(e) Loans classified by risk-possessive country as of December 31, 2009 and 2008 are as follows:

	2009				
	Loans in local currency	Loans in foreign currencies (*)	Others	Total	Ratio (%)
	(in millions of Won)				
Asia:					
Korea	₩9,710,478	12,079,955	1,463,862	23,254,295	62.14
Saudi Arabia	—	1,734,636	409	1,735,045	4.64
Iran	—	1,411,680	28,035	1,439,715	3.85
Qatar		1,100,148	497	1,100,645	2.94
Singapore	—	778,325	21,910	800,235	2.14
Oman	—	583,800	1,129	584,929	1.56
India	—	491,242	24,522	515,764	1.38
Indonesia	—	350,027	7,615	357,642	0.96
Others	—	931,402	238,261	1,169,663	3.12
	9,710,478	19,461,215	1,786,240	30,957,933	82.73
Europe:					
England	—	1,003,427	184,814	1,188,241	3.18
France	—	440,645	226,000	666,645	1.74
Sweden	—	652,494	—	652,494	1.29
Ireland	—	482,811	—	482,811	1.78
Others	—	2,171,089	190,297	2,361,386	6.31
	—	4,750,466	601,111	5,351,577	14.30
America:					
Canada	—	400,028	297	400,325	1.07
Brazil	—	185,648	—	185,648	0.50
Peru	—	156,593	—	156,593	0.42
United States	—	87,439	62,259	149,698	0.40
Others	—	207,679	175	207,854	0.55
	—	1,037,387	62,731	1,100,118	2.94
Africa:					
Algeria	—	—	11,804	11,804	0.03
Others	—	—	594	594	0.00
	—	—	12,398	12,398	0.03
Oceania:					
Australia and others	—	—	1,289	1,289	0.00
	₩9,710,478	25,249,068	2,463,769	37,423,315	100.00

Notes to Non-Consolidated Financial Statements—(Continued)
December 31, 2009 and 2008

	2008				
	Loans in local currency	Loans in foreign currencies (*)	Others	Total	Ratio (%)
	(in millions of Won)				
Asia:					
Korea	₩6,069,699	10,648,978	585,073	17,303,750	53.42
Iran	—	1,701,786	11,517	1,713,303	5.29
Qatar	—	1,119,965	910	1,120,875	3.46
Saudi Arabia	—	900,341	4,885	905,226	2.80
Singapore	—	870,973	7,591	878,564	2.71
Oman	—	535,695	2,815	538,510	1.66
Indonesia	—	384,186	2,652	386,838	1.19
India	—	345,196	9,509	354,705	1.10
Others	—	1,301,444	251,402	1,552,846	4.80
	6,069,699	17,808,564	876,354	24,754,617	76.43
Europe:					
England	—	957,174	249,085	1,206,259	3.72
Ireland	—	653,900	—	653,900	2.02
Russia	—	562,997	16,483	579,480	1.79
Sweden	—	552,614	—	552,614	1.71
Others	—	2,430,376	649,893	3,080,269	9.51
	—	5,157,061	915,461	6,072,522	18.75
America:					
Canada	—	533,970	433	534,402	1.65
Brazil	—	216,791	1,103	217,894	0.67
Mexico	—	178,592	1,043	179,635	0.55
Peru	—	98,748	—	98,748	0.30
Others	—	88,447	82,207	170,655	0.54
	—	1,116,548	84,786	1,201,334	3.71
Africa:					
Madagascar	—	291,715	—	291,715	0.90
Others		—	6,303	6,303	0.02
	—	291,715	6,303	298,018	0.92
Oceania:					
Australia and others	—	50,300	12,802	63,102	0.19
	₩6,069,699	24,424,188	1,895,706	32,389,593	100.00

(*) The amounts of loans in foreign currencies in the above table exclude deferred loan origination fees and valuation adjustment of loans in foreign currencies.

(f) The restructured loans as of December 31, 2009 are as follows:

	Company	Loan Amount	Allowances (*)
		(in millions of Won)	
Restoration procedure and rearrangement	Hanam Electronics Co., Ltd. and other 15 companies	₩ 37,854	30,359
Individual agreements	Financial loan to Russia and other two companies	249,715	15,062
		₩287,569	45,421

(*) The present value discounts relating to the restructured loans are excluded from these allowances.

(g) Changes in the present value discounts relating to the restructured loans for the years ended December 31, 2009 and December 31, 2008 are as follows:

	2009						
	Discount rate (%)	Term (years)	Beginning balance	Addition	Amortization	Changes in exchange rate	Ending balance
			(in millions of Won)				
Work-out process and rearrangement	4.22~4.99	9~10	₩ 159	7,085	(1,656)	(3)	5,585
Individual agreements (*)	4.12~5.30	9~18	44,865	—	(5,110)	(2,936)	36,819
			₩45,024	7,085	(6,766)	(2,939)	42,404

	2008						
	Discount rate (%)	Term (years)	Beginning balance	Addition	Amortization	Changes in exchange rate	Ending balance
			(in millions of Won)				
Work-out process and rearrangement	4.22~4.99	9~10	₩ 195	—	(36)	—	159
Individual agreements (*)	4.12~5.30	9~18	37,581	—	(4,934)	12,218	44,865
			₩37,776	—	(4,970)	12,218	45,024

(*) As of February 20, 2004, the Bank restructured the remaining loan balance of USD299 million overdue loan to Russia (USD422 million—the principal and interest amounting to USD262 million and USD160 million, respectively at the time of restructuring) after the reduction of unpaid interest of USD123 million in accordance with the bilateral agreement between the Government and Russia. As of December 31, 2009, the balance of restructured loan to Russia was ₩197,574 million and the balance of present value discounts was ₩31,966 million.

(h) For the year ended December 31, 2009, the Bank converted ₩13,647 million of loans to three borrowers including Pantech Co., Ltd. to equity, and recognized ₩3,594 million as provision for loan losses.

(i) The maturities of loans as of December 31, 2009 and 2008 are as follows:

	2009				
	Loans in local currency	Loans in foreign currencies (*)	Others	Total	Ratio (%)
	(in millions of Won)				
Due in 3 months or less	₩3,012,086	2,613,575	2,203,636	7,829,297	20.92
Due after 3 months to 6 months	4,789,660	1,874,803	86,627	6,751,090	18.04
Due after 6 months to 1 year	1,025,934	1,920,469	13,283	2,959,686	7.91
Due after 1 year to 2 years	272,548	1,603,274	5,760	1,881,582	5.03
Due after 2 years to 3 years	160,841	1,305,902	—	1,466,743	3.92
Due after 3 years to 4 years	116,621	610,479	—	727,100	1.94
Due after 4 years to 5 years	22,638	1,570,408	—	1,593,046	4.26
Due after 5 years	310,150	13,750,158	154,463	14,214,771	37.98
	₩9,710,478	25,249,068	2,463,769	37,423,315	100.00

	2008				
	Loans in local currency	Loans in foreign currencies (*)	Others	Total	Ratio (%)
	(in millions of Won)				
Due in 3 months or less	₩1,992,071	2,220,463	1,716,000	5,928,534	18.30
Due after 3 months to 6 months	2,523,852	2,184,469	110,878	4,819,199	14.88
Due after 6 months to 1 year	1,105,760	1,422,243	4,031	2,532,034	7.82
Due after 1 year to 2 years	157,367	1,687,862	—	1,845,229	5.70
Due after 2 years to 3 years	45,951	1,363,094	8,525	1,417,570	4.38
Due after 3 years to 4 years	3,254	763,185	—	766,439	2.37
Due after 4 years to 5 years	27,000	778,821	—	805,821	2.49
Due after 5 years	214,444	14,004,051	56,272	14,274,767	44.06
	₩6,069,699	24,424,188	1,895,706	32,389,593	100.00

(*) The amounts of loans in foreign currencies in the above table exclude deferred loan origination fees and valuation adjustment of loans in foreign currencies.

6. Allowances for Loan Losses

(a) The allowances for loan losses as of December 31, 2009 and 2008 are as follows:

	2009	2008
	(in millions of Won)	
Loans in local currency	₩ 292,390	189,713
Loans in foreign currencies	814,162	748,033
Other loans	117,854	29,202
	₩1,224,406	966,948

(b) As of December 31, 2009 and 2008, loan balances and allowances for loan losses by credit risk classification are as follows:

		2009		
		Balance	Allowance	Provision ratio (%)
		(in millions of Won)		
Loans in local currency	Normal	₩ 9,329,278	127,926	1.37
	Precautionary	199,356	34,630	17.37
	Substandard	86,511	37,677	43.55
	Doubtful	63,010	59,834	94.96
	Estimated loss	32,323	32,323	100.00
		9,710,478	292,390	3.01
Loans in foreign currencies	Normal	23,818,555	620,643	2.61
	Precautionary	1,162,912	111,747	9.61
	Substandard	75,369	32,830	43.56
	Doubtful	38,022	36,012	94.71
	Estimated loss	12,930	12,930	100.00
		25,107,788	814,162	3.24
Other	Normal	567,074	9,759	1.72
	Precautionary	59,938	14,168	23.64
	Substandard	—	—	—
	Doubtful	6,665	6,320	97.83
	Estimated loss	87,607	87,607	100.00
		721,284	117,854	16.33
		₩35,539,550	1,224,406	3.45

The loan balances stated in the above table do not include the present value discounts. Inter-bank loans of ₩141,280 million and call loans of ₩1,742,598 million, which were classified as normal, are excluded from the loan balances stated in the above table, while suspense payments on credit of ₩113 million are included in the loan balances stated in the above table. The valuation adjustment of loans in foreign currencies of ₩242,542 million and deferred loan origination fees of ₩(96,946) million are also excluded from the loan balances stated in the above table.

		2008		
		Balance	Allowance	Provision ratio (%)
		(in millions of Won)		
Loans in local currency	Normal	₩ 5,939,603	84,657	1.43
	Precautionary	11,852	2,332	19.68
	Substandard	24,746	10,775	43.54
	Doubtful	29,065	27,516	94.67
	Estimated loss	64,433	64,433	100.00
		6,069,699	189,713	3.13
Loans in foreign currencies	Normal	24,255,772	685,622	2.83
	Precautionary	28,827	5,112	17.73
	Substandard	17,752	7,733	43.56
	Doubtful	12,248	11,592	94.64
	Estimated loss	37,974	37,974	100.00
		24,352,573	748,033	3.07
Other	Normal	469,512	6,861	1.46
	Precautionary	76,162	18,280	24.00
	Substandard	60	26	43.33
	Doubtful	3,598	3,406	94.66
	Estimated loss	629	629	100.00
		549,961	29,202	5.31
		₩30,972,233	966,948	3.12

The loan balances stated in the above table do not include the present value discounts. Inter-bank loans of ₩71,615 million and call loans of ₩1,345,805 million, which were classified as normal, are excluded from the loan balances stated in the above table, while suspense payments on credit of ₩60 million are included in the loan balances stated in the above table. The valuation adjustment of loans in foreign currencies of ₩521,615 million and deferred loan origination fees of ₩(59,216) million are also excluded from the loan balances stated in the above table.

(c) Changes in allowances for loan losses for the years ended December 31, 2009 and 2008, respectively, are as follows:

	2009	2008
	(in millions of Won)	
Beginning balance	₩ 966,948	691,456
Provision for loan losses	338,837	93,010
Write-off	(12,650)	(8,534)
Debt for equity swap	(3,594)	(171)
Decrease in present value discounts	(6,766)	(4,970)
Changes in exchange rates and others	(58,369)	196,157
Ending balance	₩1,224,406	966,948

(d) The ratio of allowances to loans for the previous three periods are as follows:

	2009.12.31	2008.12.31	2007.12.31
	(in millions of Won)		
Loans subject to allowance for loan losses	₩35,539,550	30,972,233	19,381,317
Allowances for loan losses	1,224,406	966,948	691,456
Ratio (%)	3.45	3.12	3.57

7. Property and Equipment

(a) Property and equipment and the related accumulated depreciation as of December 31, 2009 and 2008 are as follows:

	2009			2008		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
	(in millions of Won)					
Land	₩ 4,484	—	4,484	4,484	—	4,484
Buildings	44,612	17,292	27,320	44,439	15,783	28,656
Vehicles	2,302	1,521	781	2,155	1,571	584
Equipment	16,132	13,849	2,283	15,886	13,483	2,403
	₩67,530	32,662	34,868	66,964	30,837	36,127

(b) The officially declared value of land at December 31, 2009 and December 31,2008, as announced by the Ministry of Land, Transport and Maritime Affairs, was ₩101,069 million and ₩102,195 million, respectively. The officially declared value, which is used for government purposes, is not intended to represent fair value.

(c) Changes in book value of property and equipment for the years ended December 31, 2009 and 2008, respectively, are as follows:

	2009				
	Beginning balances	Acquisitions	Disposals	Depreciation	Ending balances
	(in millions of Won)				
Land	₩ 4,484	—	—	—	4,484
Buildings	28,656	172	—	1,508	27,320
Vehicles	584	695	—	498	781
Equipment	2,403	1,265	3	1,382	2,283
	₩36,127	2,132	3	3,388	34,868

	2008				
	Beginning balances	Acquisitions	Disposals	Depreciation	Ending balances
	(in millions of Won)				
Land	₩ 4,484	—	—	—	4,484
Buildings	29,337	806	—	1,487	28,656
Vehicles	453	525	1	393	584
Equipment	2,606	1,245	3	1,445	2,403
	₩36,880	2,576	4	3,325	36,127

(d) Insured assets as of December 31, 2009 and 2008 are as follows:

		2009		2008	
	Insurance company	Book value	Insured amount	Book value	Insured amount
		(in millions of Won)			
Buildings	LIG Insurance Co., Ltd. and others	₩27,320	24,217	28,656	24,891
Equipment	LIG Insurance Co., Ltd. and others	2,283	2,283	2,403	2,440
		₩29,603	26,500	31,059	27,331

In addition to the above, the Bank carries a commercial liability package, and gas liability insurance with a maximum coverage of ₩80 million per accidental death and of ₩300 million per accidental property damage. All vehicles are covered by comprehensive auto insurance.

8. Other Assets

(a) Details of other assets as of December 31, 2009 and 2008 are as follows:

	2009	2008
	(in millions of Won)	
Security deposits	₩ 20,536	21,636
Accounts Receivable	242	162
Accrued income	506,180	468,038
Prepaid expenses	123,929	90,260
Deferred tax assets (note 18)	115,993	207,040
Derivative assets (note 15)	710,476	628,224
Intangible assets	3,370	1,863
Sundry assets		
Other loans	6,750	7,528
Other suspense payments	918	1,469
Suspense payments on credit	113	60
Membership certificates	6,122	6,333
Others	11	12
	₩1,494,640	1,432,625

(b) Changes in intangible assets for the years ended December 31, 2009 and 2008, are as follows:

	2009	2008
	(in millions of Won)	
Beginning balance	₩ 1,863	3,816
Increase	2,526	399
Amortization	(1,019)	(2,352)
Ending balance	₩ 3,370	1,863

9. Borrowings and Debentures

(a) Borrowings and debentures as of December 31, 2009 and 2008 consist of the follows:

	2009	2008
	(in millions of Won)	
Borrowings	₩ 2,895,877	5,024,299
Debentures in local currency	6,977,349	3,444,280
Debentures in foreign currencies	23,428,566	19,302,341
	₩33,301,792	27,770,920

(b) Details of borrowings of December 31, 2009 and 2008 are as follows:

	Interest rate (%)	2009	2008
		(in millions of Won)	
Borrowings:			
Call money:			
Local currency	—	₩ —	166,000
Foreign currencies	0.35	1,168	399,729
		1,168	565,729
Borrowings in foreign currencies:			
Borrowings from government	—	—	3,263,213
Borrowings from banks	1.35~3.98	740,798	334,271
Commercial papers	0.28~5.61	1,971,163	771,051
Off-shore commercial papers	0.71~4.80	38,168	22,887
Other borrowings	0.43~4.08	144,580	67,148
		2,894,709	4,458,570
		₩2,895,877	5,024,299

(c) Details of debentures of December 31, 2009 and 2008 are as follows:

	Interest rate (%)	2009	2008
		(in millions of Won)	
Debentures:			
Local currency:			
Fixed rate debentures in local currency	2.33~5.54	₩ 7,030,000	3,520,000
Discount on debentures		(52,651)	(75,720)
		₩ 6,977,349	3,444,280
Foreign currencies:			
Floating rate debentures in foreign currencies	Libor 3M + 0.95 and others	₩ 4,374,265	5,275,393
Fixed rate debentures in foreign currencies	1.38~15.83	18,779,566	13,761,407
		23,153,831	19,036,800
Gain on valuation of fair value hedged items, net		337,423	304,302
		23,491,254	19,341,102
Discounts on debentures, net		(62,688)	(38,761)
		₩23,428,566	19,302,341

(d) Call money and borrowings in foreign currencies from financial institution as of December 31, 2009 and 2008 are as follows:

	2009			2008		
	Call money	Borrowings in foreign currencies	Total	Call money	Borrowings in foreign currencies	Total
			(in millions of Won)			
Banks	₩1,168	2,750,130	2,751,298	565,729	1,128,209	1,693,938
Others	—	144,579	144,579	—	3,330,361	3,330,361
	₩1,168	2,894,709	2,895,877	565,729	4,458,570	5,024,299

(e) The maturities of borrowings and debentures by remaining periods as of December 31, 2009 and 2008 are as follows:

	2009					
	Due in 3 months or less	Due after 3 months to 6 months	Due after 6 months to 1 year	Due after 1 year to 3 years	Due after 3 years	Total
	(in millions of Won)					
Borrowings:						
Call money	₩ 1,168	—	—	—	—	1,168
Borrowings in foreign currencies	1,463,180	1,085,037	346,492	—	—	2,894,709
	₩1,464,348	1,085,037	346,492	—	—	2,895,877
Debentures:						
Debentures in local currency	₩2,690,000	2,330,000	1,670,000	250,000	90,000	7,030,000
Debentures in foreign currencies	1,880,571	698,186	2,686,013	7,151,644	10,737,417	23,153,831
	₩4,570,571	3,028,186	4,356,013	7,401,644	10,827,417	30,183,831

	2008					
	Due in 3 months or less	Due after 3 months to 6 months	Due after 6 months to 1 year	Due after 1 year to 3 years	Due after 3 years	Total
	(in millions of Won)					
Borrowings:						
Call money	₩ 565,729	—	—	—	—	565,729
Borrowings in foreign currencies	1,619,855	2,834,430	4,285	—	—	4,458,570
	₩2,185,584	2,834,430	4,285	—	—	5,024,299
Debentures:						
Debentures in local currency	₩ 930,000	1,410,000	990,000	190,000	—	3,520,000
Debentures in foreign currencies	1,290,725	845,611	2,462,329	4,512,048	9,926,087	19,036,800
	₩2,220,725	2,255,611	3,452,329	4,702,048	9,926,087	22,556,800

10. Other Liability

(a) Details of other liabilities as of December 31, 2009 and 2008 are as follows:

	2009	2008
	(in millions of Won)	
Accrued severance benefits (notes 12)	₩ 20,763	30,936
Less: Transfer to National Pension (note 12)	—	(5)
Allowance for acceptances and guarantees (note 11)	476,522	461,376
Allowance for unused loan commitments (note 11)	67,121	35,572
Allowance for others	1,724	1,678
Foreign exchange settlement account-credit	99,836	262,638
Accounts payable	8,649	151,119
Accrued expenses	655,197	519,216
Unearned revenues	302,315	277,156
Guarantees deposits received	109	110
Derivative liabilities (note 15)	510,220	1,259,067
Sundry liabilities	120,214	121,800
	₩2,262,670	3,120,663

(b) Details of sundry liabilities as of December 31, 2009 and 2008 are as follows:

	2009	2008
	(in millions of Won)	
Suspense receipts	₩118,808	119,249
Taxes withheld	1,405	2,534
Others	1	17
	₩120,214	121,800

11. Acceptances, Guarantees and Loan Commitments

(a) Details of acceptances and guarantees as of December 31, 2009 and 2008 are as follows:

	2009	2008
	(in millions of Won)	
Confirmed acceptances and guarantees:		
Local currency:		
Guarantees for performance of contracts	₩ 60,874	36,203
Guarantees for repayment of advances	105,811	39,027
Others	168,338	102,175
	335,023	177,405
Foreign currencies:		
Guarantees for performance of contracts	5,116,030	4,743,427
Guarantees for repayment of advances	36,333,463	41,420,622
Acceptances for letters of guarantee for importers letter	950	8,531
Acceptances on import credit memorandum	166,631	79,664
Others	3,212,973	2,205,304
	44,830,047	48,457,548
	₩45,165,070	48,634,953
Unconfirmed acceptances and guarantees:		
Letters of credit	₩ 215,318	185,322
Guarantees for repayment of advances	28,906,179	41,127,003
Others	1,582,657	938,106
	₩30,704,154	42,250,431

(b) As of December 31, 2009 and 2008, details of allowance for acceptances and guarantees outstanding are as follows:

	2009			2008		
	Acceptances and guarantees	Allowance (*)	Ratio (%)	Acceptances and guarantees	Allowance (*)	Ratio (%)
	(in millions of Won)					
Confirmed acceptances and guarantees:						
Normal	₩44,225,154	305,269	0.69	48,048,213	313,473	0.65
Precautionary	909,633	80,326	8.83	579,331	52,650	9.09
Substandard	30,283	13,188	43.55	—	—	—
Doubtful	—	—	—	7,409	3,506	47.32
	45,165,070	398,783	0.88	48,634,953	369,629	0.76
Unconfirmed acceptances and guarantees:						
Normal	30,058,127	53,720	0.18	41,749,643	73,765	0.18
Precautionary	645,591	23,925	3.71	500,722	17,969	3.59
Substandard	416	91	21.77	—	—	—
Doubtful	20	3	15.00	66	13	19.70
	30,704,154	77,739	0.25	42,250,431	91,747	0.22
	₩75,869,224	476,522	0.63	90,885,384	461,376	0.51

(*) The Bank established allowance for the estimated losses on acceptances and guarantees considering the credit conversion factor by Financial Services Commission by applying the same methodology that was used to determine the allowance for loan losses.

(c) Changes in allowance for acceptances and guarantees for the years ended December 31, 2009 and December 31, 2008, are as follows:

	2009	2008
	(in millions of Won)	
Beginning balance	₩461,376	300,956
Provision for allowance for possible losses	56,158	59,489
Changes in foreign exchange rates and others	(41,012)	100,931
Ending balance	₩476,522	461,376

(d) Acceptances and guarantees classified by industry as of December 31, 2009 and 2008 are as follows:

	2009					
	Confirmed		Unconfirmed		Total	
	Acceptances and guarantees	Ratio (%)	Acceptances and guarantees	Ratio (%)	Acceptances and guarantees	Ratio (%)
	(in millions of Won)					
Manufacturing	₩37,119,303	82.19	29,060,616	94.65	66,179,919	87.23
Construction	4,403,157	9.75	298,610	0.97	4,701,767	6.20
Finance and insurance	730,448	1.62	6,299	0.02	736,747	0.97
Wholesale and retail	286,577	0.63	78,019	0.25	364,596	0.48
Service	1,406,569	3.11	47,915	0.16	1,454,484	1.92
Others	1,219,016	2.70	1,212,695	3.95	2,431,711	3.20
	₩45,165,070	100.00	30,704,154	100.00	75,869,224	100.00

	2008					
	Confirmed		Unconfirmed		Total	
	Acceptances and guarantees	Ratio (%)	Acceptances and guarantees	Ratio (%)	Acceptances and guarantees	Ratio (%)
	(in millions of Won)					
Manufacturing	₩42,907,630	88.22	40,533,776	95.94	83,441,406	91.81
Construction	3,902,748	8.03	712,377	1.69	4,615,125	5.08
Finance and insurance	608,218	1.25	6,221	0.01	614,439	0.68
Wholesale and retail	292,720	0.60	21,064	0.05	313,784	0.34
Service	266,291	0.55	59,364	0.14	325,655	0.36
Others	657,346	1.35	917,629	2.17	1,574,975	1.73
	₩48,634,953	100.00	42,250,431	100.00	90,885,384	100.00

(e) Acceptances and guarantees classified by risk-possessive country as of December 31, 2009 and 2008 are as follows:

	2009					
	Confirmed		Unconfirmed		Total	
	Acceptances and guarantees	Ratio (%)	Acceptances and guarantees	Ratio (%)	Acceptances and guarantees	Ratio (%)
	(in millions of Won)					
Asia:						
Korea	₩43,660,178	96.67	29,322,783	95.50	72,982,961	96.20
India	223,528	0.49	196,179	0.64	419,707	0.55
Yemen	186,807	0.41	9	0.00	186,816	0.25
Jordan	35,957	0.08	75,316	0.25	111,273	0.15
Japan	78,261	0.17	—	0.00	78,261	0.10
Hong Kong	70,056	0.16	—	0.00	70,056	0.09
Others	94,243	0.21	50,634	0.16	144,877	0.19
	44,349,030	98.19	29,644,921	96.55	73,993,951	97.53
Europe:						
France	121,980	0.27	397,029	1.29	519,009	0.69
Luxemburg	153,865	0.34	—	0.00	153,865	0.21
Greece	19,922	0.04	96,838	0.32	116,760	0.15
England	48,717	0.11	—	0.00	48,717	0.06
Russia	—	0.00	26,062	0.08	26,062	0.03
	344,484	0.76	519,929	1.69	864,413	1.14
America:						
Mexico	109,976	0.24	182,924	0.60	292,900	0.39
Brazil	61,196	0.14	189,855	0.62	251,051	0.33
Peru	127,556	0.28	30,070	0.10	157,626	0.21
Canada	—	0.00	81,601	0.26	81,601	0.10
	298,728	0.66	484,450	1.58	783,178	1.03
Africa:						
Madagascar	172,828	0.39	54,854	0.18	227,682	0.30
	₩45,165,070	100.00	30,704,154	100.00	75,869,224	100.00

	2008					
	Confirmed		Unconfirmed		Total	
	Acceptances and guarantees	Ratio (%)	Acceptances and guarantees	Ratio (%)	Acceptances and guarantees	Ratio (%)
	(in millions of Won)					
Asia:						
Korea	₩47,628,026	97.93	41,316,534	97.79	88,944,560	97.86
India	177,661	0.37	289,703	0.69	467,364	0.51
Yemen	146,446	0.30	54,754	0.13	201,200	0.22
Hong Kong	100,600	0.21	—	—	100,600	0.12
Iran	62,599	0.12	1,845	0.00	64,444	0.07
Japan	8,961	0.02	—	—	8,961	0.01
Uzbekistan	—	—	650	0.00	650	0.00
	48,124,293	98.95	41,663,486	98.61	89,787,779	98.79
Europe:						
France	74,920	0.15	257,649	0.61	332,569	0.37
Greece	19,387	0.04	106,363	0.25	125,750	0.14
Turkey	53,093	0.11	—	—	53,093	0.06
England	24,740	0.05	—	—	24,740	0.02
Ukraine	—	—	13,606	0.03	13,606	0.01
	172,140	0.35	377,618	0.89	549,758	0.60
America:						
Peru	80,794	0.16	88,968	0.22	169,762	0.19
USA	80,937	0.17	—	—	80,937	0.09
Mexico	51,768	0.11	167	0.00	51,935	0.06
	213,499	0.44	89,135	0.22	302,634	0.34
Africa:						
Madagascar	125,021	0.26	120,192	0.28	245,213	0.27
	₩48,634,953	100.00	42,250,431	100.00	90,885,384	100.00

(f) The ratio of allowance for acceptances and guarantees for the recent three years are as follows:

	2009.12.31	2008.12.31	2007.12.31
	(in millions of Won)		
Acceptances and guarantees subject to allowances	₩75,869,224	90,885,384	62,789,177
Allowances	476,522	461,376	300,956
Ratio (%)	0.63	0.51	0.48

(g) Details of unused loan commitments and related allowances as of December 31, 2009 and 2008 are as follows:

	2009	2008
	(in millions of Won)	
Unused line of credit for unused loan commitments	₩8,288,933	9,369,833
Allowances (*)	67,121	35,572
Ratio (%)	0.81	0.38

(*) The Bank established allowance for the estimated losses on loan commitments considering the credit conversion factor by Financial Services Commission by applying the same methodology that was used to determine the allowance for loan losses.

(h) Changes in allowances for loan commitments for years ended December 31, 2009 and December 31, 2008, are as follows:

	2009	2008
	(in millions of Won)	
Beginning balance	₩35,572	35,491
Provision for allowances for loan commitments	33,311	(11,081)
Changes in foreign exchange rates and others	(1,762)	11,162
Ending balance	₩67,121	35,572

12. Retirement and Severance Benefits

Changes in retirement and severance benefits for years ended December 31, 2009 and December 31, 2008, respectively, are as follows:

	2009			
	Beginning balance	Provision	Payment	Ending balance
	(in millions of Won)			
Retirement and severance benefits	₩30,936	5,166	15,339	20,763
National Pension Fund	(5)	—	(5)	—
	₩30,931	5,166	15,334	20,763

	2008			
	Beginning balance	Provision	Payment	Ending balance
	(in millions of Won)			
Retirement and severance benefits	₩30,096	5,972	5,132	30,936
National Pension Fund	(8)	—	(3)	(5)
	₩30,088	5,972	5,129	30,931

13. Stockholders' Equity

(a) Capital Stock

As of December 31, 2009, the authorized capital and paid-in capital of the Bank are ₩8,000,000 million and ₩5,008,755 million, respectively. The Bank's capital has increased by ₩300,000 million, ₩500,000 million and ₩250,000 million due to the Government's contributions on January 2, 2009, March 23, 2009 and May 13, 2009, respectively. The Bank does not issue physical share certificates.

(b) Retained Earnings

i) Legal Reserve

Pursuant to the EXIM Bank Act, the Bank appropriates twenty percent of net earnings for each accounting period as legal reserve until the accumulated reserve equals to its paid-in capital.

ii) Voluntary Reserve

The Bank appropriates the remaining balance of net earnings, after the appropriation of legal reserve and declaration of dividends, to voluntary reserve.

14. Commitments and Contingencies

(a) Details of other commitments as of December 31, 2009 and 2008 are as follows:

	2009	2008
	(in millions of Won)	
Confirmed acceptances and guarantees	₩45,165,070	48,634,953
Unconfirmed acceptances and guarantees	30,704,154	42,250,431
Unused loan commitments	7,789,095	9,061,278
Other commitments	499,838	308,555
Written-off loans	176,275	183,322
	₩84,334,432	100,438,539

(b) Litigations

As of December 31, 2009, seven lawsuits were filed by the Bank. The Bank's management is unable to estimate the impact from these lawsuits and the Bank's financial position and result of operation do not reflect the impact.

(c) Sale of the Shares of KEB

The Bank sold 30,865,792 shares of KEB to LSF-KEB Holdings, SCA ("LSF") on October 30, 2003 at ₩5,400 per share. LSF exercised its call option, which was issued by the Bank in relation to the aforementioned sales transaction, and additionally purchased 49,134,208 shares of KEB at ₩8,487.50 per share before the prior fiscal year.

In addition to the above transactions, under the mutual agreement between the Bank and LSF, the Bank has right to ask LSF (Tag) or be asked by LSF (Drag) for selling the Bank's remaining holding shares of KEB to a counterparty at the same condition of LSF's sale.

(d) MTN and CP programs

The Bank established a USD15 billion Global Medium Term Note Program (the "GMTN") on November 6, 1997, and USD4 billion and USD2 billion Commercial Paper programs on May 14, 1997 and May 16, 1997, respectively.

15. Derivative Instruments and Hedge Accounting

Details of derivative transactions as of, and for the years ended December 31, 2009 and December 31, 2008, are as follows:

	2009						
	Unsettled notional amount			Valuation gain (loss) - (I/S)			Fair value (B/S) - assets (liabilities)
	Total	Hedging purpose	Hedge accounting purpose	Total	Hedging purpose	Hedge accounting purpose	
	(in millions of Won)						
Currency forwards	₩ 1,639,368	1,639,368	—	19,967	19,967	—	19,967
				(28,993)	(28,993)	—	(28,993)
Currency swaps	8,882,054	1,564,046	7,318,008	338,947	30,808	308,139	554,441
				(75,492)	(15,666)	(59,826)	(195,018)
Interest rate swaps	11,899,584	500,856	11,398,728	281,426	30,002	251,424	136,068
				(56,268)	(1,505)	(54,763)	(286,209)
	₩22,421,006	3,704,270	18,716,736	640,340	80,777	559,563	710,476
				(160,753)	(46,164)	(114,589)	(510,220)

	2008						
	Unsettled notional amount			Valuation gain (loss) - (I/S)			Fair value (B/S) - assets (liabilities)
	Total	Hedging purpose	Hedge accounting purpose	Total	Hedging purpose	Hedge accounting purpose	
	(in millions of Won)						
Currency forwards	₩ 951,051	951,051	—	9,738	9,738	—	9,738
				(64,693)	(64,693)	—	(64,693)
Currency swaps	8,373,476	2,952,784	5,420,692	314,648	131,917	182,731	453,087
				(668,729)	(222,710)	(446,019)	(624,575)
Interest rate swaps	7,142,979	995,546	6,147,433	148,967	5,115	143,852	165,399
				(477,967)	(31,686)	(446,281)	(569,799)
	₩16,467,506	4,899,381	11,568,125	473,353	146,770	326,583	628,224
				(1,211,389)	(319,089)	(892,300)	(1,259,067)

The Bank holds derivative instruments to hedge the interest rate and foreign exchange risks derived from its loan, debentures and borrowing activities. The notional amounts of unsettled derivative contracts and valuation gain or loss for hedge accounting purpose in the above table represent the derivative instruments accounted for using hedge accounting pursuant to the Interpretations on Financial Accounting Standards 53-70 "*Accounting for Derivatives*."

Hedged items, for fair value hedge accounting purpose, consist of loans, debentures and borrowings. The Bank recognized losses of ₩238,980 million and ₩31,912 million from the hedged items of loans and debentures, in the income statement, respectively, for the year ended December 31, 2009.

16. Interest Income and Expense

Average balances of the interest bearing assets and liabilities, and the related interest income and expenses as of and for years ended December 31, 2009 and year ended December 31, 2008, are as follows:

	2009		2008	
	Average balance	Interest income / expense	Average balance	Interest income / expense
	(in millions of Won)			
Interest bearing assets:				
Loans	₩37,266,058	1,418,051	27,077,926	1,390,238
Due from banks	629,366	17,804	295,638	17,181
Securities	—	—	1	—
	₩37,895,424	1,435,855	27,373,565	1,407,419
Interest bearing liabilities:				
Borrowings	₩ 4,373,335	147,962	4,467,393	189,579
Debentures	29,077,879	1,075,981	19,716,909	917,272
	₩33,451,214	1,223,943	24,184,302	1,106,851

17. General and Administrative Expense

Details of general and administrative expense for the years ended December 31, 2009 and December 31, 2008, are as follows:

	2009	2008
	(in millions of Won)	
Financial management expenses:		
Salaries and wages	₩ 59,897	63,049
Others	33,259	32,022
	93,156	95,071
Funds management expenses	757	584
Other general and administrative expenses:		
Severance benefits (note 12)	5,166	5,972
Special severance benefits	—	7,547
Depreciation (note 7)	3,388	3,325
Amortization of intangible assets (note 8)	1,019	2,352
Taxes and dues	5,591	3,583
Fund contributions	4,523	4,524
	19,687	27,303
	₩113,600	122,958

18. Income Taxes

(a) The Bank was subject to income taxes on taxable income at the following normal tax rates.

Taxable income	2009	2010	2011	2012 and Thereafter
Up to ₩200 million	12.1%	11%	11%	11%
Over ₩200 million	24.2%	24.2%	24.2%	22%

(b) The components of Income tax expense for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
	(in millions of Won)	
Income tax	₩ 1,011	173,900
Changes in deferred tax arising from temporary differences	127,850	(291,728)
Deferred income tax on tax loss carryforwards	(36,803)	—
Deferred tax expense adjusted to equity	(83,818)	219,313
Income tax expense	₩ 8,240	101,485

(c) Deferred tax assets and liabilities are measured using the tax rate to be applied for the year in which temporary differences are expected to be realized, and the change in deferred tax assets due to the change in the income tax rate amounting to ₩2,067 million was recognized in current income tax expense.

(d) The income tax expense calculated by applying statutory tax rates to the Bank's income before income taxes for the year differs from the actual tax expense in the non-consolidated statement of income for the years ended December 31, 2009 and 2008 for the following reasons:

	2009	2008
	(in millions of Won)	
Income before income taxes	₩34,069	195,459
Expense for income taxes at normal tax rates	8,220	53,720
Adjustment		
Tax-exempt benefits	(10)	(1,867)
Non-deduction expense	1,140	562
Tax effects of tax rate change	(1,144)	49,120
Adjustment of income tax final return	9	(50)
Others	25	—
Income tax expense	₩ 8,240	101,485
Effective tax rate	24.19%	51.92

(e) Deferred tax assets have been recognized as the Company has determined it is probable that future profits will be available against which the Company can utilize the related benefit.

(f) Changes in significant accumulated temporary differences and tax effects for the years ended December 31, 2009 and year ended December 31, 2008, were as follows:

	2009			
	Beginning balance	Decrease	Increase	Ending balance
	(in millions of Won)			
Temporary differences:				
Loss (gain) on fair value hedges	₩(217,313)	(279,074)	33,121	94,882
Depreciation	4,018	—	1,615	5,633
Retirement and severance benefits	21,557	—	3,289	24,846
Allowance for loan losses	303,380	—	167,609	470,989
Gain on valuation of equity method accounted investments	(24,316)	—	(7,082)	(31,398)
Loss on valuation of derivatives	630,843	683,727	—	(52,884)
Gain on valuation of derivatives	(256,923)	(56,669)	—	(200,254)
Available-for-sale securities (KEB)	(118,985)	—	—	(118,985)
Debt-to-equity swap	68,603	2,723	—	65,880
Allowance for acceptances and guarantees	461,375	—	15,148	476,523
Allowance for unused loan commitments	35,572	—	32,623	68,195
Others	78,265	39,085	(42,827)	(3,647)
Total temporary differences	₩ 986,076	389,792	203,496	799,780
Tax loss carryforwards	—	—	151,858	151,858
Tax effects of temporary differences				178,019
Tax effects of tax loss carryforwards				36,803
The deferred tax effects that were directly charged to equity				(98,829)
Deferred income tax assets				₩ 115,993

	2008			
	Beginning balance	Decrease	Increase	Ending balance
	(in millions of Won)			
Temporary differences:				
Loss (gain) on fair value hedges	₩ (92,376)	124,937	—	(217,313)
Depreciation	3,108	—	910	4,018
Retirement and severance benefits	19,244	—	2,313	21,557
Allowance for loan losses	268,000	—	35,380	303,380
Gain on valuation of equity method accounted investments	(22,032)	2,284	—	(24,316)
Loss on valuation of derivatives	77,850	—	552,993	630,843
Gain on valuation of derivatives	(33,667)	223,256	—	(256,923)
Available-for-sale securities (KEB)	(114,692)	4,293	—	(118,985)
Debt-to-equity swap	83,954	15,351	—	68,603
Allowance for acceptances and guarantees	300,956	—	160,419	461,375
Allowance for unused loan commitments	35,491	—	81	35,572
Deferred loan origination fees	—	—	59,216	59,216
Others	18,295	—	754	19,049
Total temporary differences	₩ 544,131	370,121	812,066	986,076
Tax effects of temporary differences				222,051
The deferred tax effects that were directly charged to equity				(15,011)
Deferred income tax assets				₩ 207,040

(g) Deferred tax assets and liabilities that were directly charged or credited to accumulated other comprehensive income as of December 31, 2009 and 2008 are as follows:

	2009		2008	
	Temporary differences	Deferred tax assets (liabilities)	Temporary differences	Deferred tax assets (liabilities)
	(In millions of Won)			
Valuation gain on available-for-sale securities	₩374,498	(82,390)	(778,368)	218,214
Valuation gain on equity for the equity method accounted securities	6,492	(1,428)	(5,487)	1,099
	₩380,990	(83,818)	(783,855)	219,313

19. Foreign Currency Denominated Assets and Liabilities

(a) Details of assets denominated in foreign currencies as of December 31, 2009 and 2008 are as follows:

	2009		2008	
	In foreign currency (USD)	In local currency (Won)	In foreign currency (USD)	In local currency (Won)
	(In thousands of USD and in millions of Won)			
Due from banks	$ 22,722	₩ 26,530	$ 19,804	₩ 24,903
Equity method accounted investments	98,573	115,094	81,165	102,066
Call loans	1,492,461	1,742,598	1,070,223	1,345,805
Bills bought	479,266	559,591	376,183	473,050
Loans	21,624,759	25,249,068	19,422,814	24,424,188
Advance for customers	94,090	109,860	2,010	2,527
	$23,811,871	₩27,802,741	$20,972,199	₩26,372,539

(b) Details of liabilities denominated in foreign currencies as of December 31, 2009 and 2008 are as follows:

	2009		2008	
	In foreign currency (USD)	In local currency (Won)	In foreign currency (USD)	In local currency (Won)
	(In thousands of USD and in millions of Won)			
Call money	$ 1,000	₩ 1,168	$ 317,876	₩ 399,729
Borrowings	2,479,196	2,894,709	3,545,583	4,458,570
Debentures	19,830,277	23,153,831	15,138,608	19,036,800
	$22,310,473	₩26,049,708	$19,002,067	₩23,895,099

Foreign currencies other than U.S. Dollar are translated into U.S. dollar equivalent amounts at the exchange rates published by Seoul Money Brokerage Services, Ltd. (see note 2).

20. Comprehensive Income

Comprehensive income for the years ended December 31, 2009 and 2008 was as follows:

	2009	2008
	(in millions of Won)	
Net income	₩ 25,829	93,974
Change in fair value of available-for-sale securities, net of tax effect of ₩(82,390)	292,108	(560,154)
Change in unrealized holding loss on equity method accounted investments, net of tax effect of ₩(1,428)	5,064	(4,388)
Comprehensive income	₩323,001	(470,568)

21. Dividends

(a) Details of dividends for the years ended December 31, 2009 and 2008 were as follows:

	2009	2008
	(in millions of Won)	
Government of Korea	₩3,330	—
The Bank of Korea	1,051	—
Korea Finance Corporation	139	—
	₩4,520	—

(b) Dividends as a percentage of net income for the years ended December 31, 2009 and 2008 were as follows:

	2009	2008
	(in millions of Won)	
Dividend amount	₩ 4,520	—
Net income	25,829	93,974
Dividends as a percentage of net income	17.50%	—

22. Transactions and Balances with Related Parties

(a) The Bank has the following related parties, which are all consolidating subsidiaries, as of December 31, 2009 and 2008.

	No. of shares	Ownership (%)	Capital 2009	Capital 2008
			(in millions of Won)	
KEXIM Bank UK Limited	20,000,000	100.00	₩37,555	37,725
KEXIM Vietnam Leasing Co. (*)	—	100.00	15,179	16,348
PT. KOEXIM Mandiri Finance	442	85.00	6,438	5,970
KEXIM Asia Limited	30,000,000	100.00	35,028	36,353

(*) This company does not issue physical share certificates.

(b) Significant balances and transactions with the related parties as of and for the year ended December 31, 2009 are as follows:

	Loans in foreign currencies	Call loans	Total
		(in millions of Won)	
Assets			
KEXIM Bank UK Limited	₩ 87,570	183,313	270,883
KEXIM Vietnam Leasing Co.	72,391	—	72,391
PT. KOEXIM Mandiri Finance	120,496	—	120,496
KEXIM Asia Limited	52,542	86,968	139,510
	₩332,999	270,281	603,280

	Borrowing in foreign currencies	Debentures in foreign currencies	Total
		(in millions of Won)	
Liabilities			
KEXIM Bank UK Limited	₩ —	5,838	5,838

	Interest income	Interest expenses	Commission income
		(in millions of Won)	
Transactions			
KEXIM Bank UK Limited	₩ 2,931	333	—
KEXIM Vietnam Leasing Co.	1,380	—	2
PT. KOEXIM Mandiri Finance	3,013	—	—
KEXIM Asia Limited	3,865	252	16
	₩ 11,189	585	18

(c) Significant balances and transactions with the related parties as of and for the year ended December 31, 2008 are as follows:

	Loans in foreign currencies	Call loans	Total
	(in millions of Won)		
Assets			
KEXIM Bank UK Limited	₩ 12,575	243,955	256,530
KEXIM Vietnam Leasing Co.	84,253	—	84,253
PT. KOEXIM Mandiri Finance	122,229	—	122,229
KEXIM Asia Limited	106,888	82,199	189,087
	₩325,945	326,154	652,099

	Borrowing in foreign currencies	Debentures in foreign currencies	Total
	(in millions of Won)		
Liabilities			
KEXIM Bank UK Limited	₩ —	6,288	6,288
KEXIM Asia Limited	27,878	—	27,878
	₩ 27,878	6,288	34,166

	Interest income	Interest expenses	Commission income
	(in millions of Won)		
Transactions			
KEXIM Bank UK Limited	₩ 5,194	293	20
KEXIM Vietnam Leasing Co.	3,258	—	3
PT. KOEXIM Mandiri Finance	4,717	—	—
KEXIM Asia Limited	4,468	124	23
	₩ 17,637	417	46

23. Statements of Cash Flows

(a) The Bank prepares the statements of cash flows using the indirect method. The cash flows from the Bank's major business activities including loans and investments in securities related transactions are classified as operating activities while the cash flows from borrowing activities are classified as financing activities.

(b) Due from banks in the statements of cash flows as of December 31, 2009 and 2008 are as follows:

	2009	2008
	(in millions of Won)	
Due from banks in local currency	₩847,238	206,776
Due from banks in foreign currencies	26,530	24,903
	₩873,768	231,679

(c) Significant transactions not involving cash inflows or outflows for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
	(in millions of Won)	
Change in gain on valuation of available-for-sale securities	₩292,108	(560,154)
Change in unrealized holding loss on equity method accounted investments	5,064	(4,388)
Debt-to-equity swap	10,052	210
Acquisition of securities through investment in kind	500,000	650,000

24. Employee Welfare

The Bank provides employee welfare programs including housing loans, cafeteria, scholarship, medical insurance, worker's compensation, gym and recreational facilities. The Bank's expenses on the employee welfare programs expenses for the years ended December 31, 2009 and 2008 were as follows:

	2009	2008
	(in millions of Won)	
Meal expenses	₩ 123	115
Medical expenses	308	310
Fringe benefits	6,375	6,282
Healthcare expenses	371	366
	₩7,177	7,073

25. Value Added Information

Details of accounts included in the computation of value added for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
	(in millions of Won)	
Salaries and wages	₩59,897	63,049
Rent	670	678
Depreciation	3,388	3,325
Amortization for intangible assets	1,019	2,352
Taxes and dues	5,591	3,583
	₩70,565	72,987

26. Date of Authorization for Issue

The 2009 financial statements were authorized for issue on February 26, 2010, at the Operation Committee of the Bank.

27. Planning and Adoption of K-IFRS (International Financing Reporting Standards)

The Financial Services Commission announced roadmap for the adoption of K-IFRS in March 2007, and the Bank subsequently plans to issue financial statements prepared in accordance with K-IFRS afterward. In August 2007 the Bank organized a Task Force Team to conduct internal training, and in August of 2008 the Bank engaged with external advisors to analyze the main differences between the current GAAP and K-IFRS. The areas of accounting under the current financial statements for which the application of K-IFRS is expected to give rise to significant differences include loss provisions, financial instruments, property and equipment, intangible assets and employee benefits, among others.

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