渣打國際商業銀行承銷「The Export-Import Bank of Korea US$400,000,000 Floating Rate Notes due 2022」之美元計價普通公司債公告

渣打國際商業銀行(以下稱承銷商)承銷「The Export-Import Bank of Korea US$400,000,000 Floating Rate Notes due 2022」之美元計價普通公司債(以下稱本公司債)，本公司債發行總金額為美金400,000,000元整，由承銷商洽商銷售本公司債金額為美金400,000,000元整，茲將銷售辦法公告於後 ：

一、證券承銷商名稱、地址、總承銷數量、證券承銷商先行保留洽商銷售數量

承銷商名稱	地址	洽商銷售金額
渣打國際商業銀行股份有限公司	台北市松山區敦化北路168號1樓	美金 231,000,000元整
群益金鼎證券股份有限公司	台北市信義區松仁路101號15樓	美金 17,000,000元整
中國信託商業銀行股份有限公司	台北市南港區經貿二路168號5樓	美金 26,000,000元整
凱基商業銀行股份有限公司	台北市松山區南京東路五段125號	美金 30,000,000元整
凱基證券股份有限公司	台北市中山區明水路700號3樓	美金 40,000,000元整
兆豐國際商業銀行股份有限公司	台北市中山區吉林路100號	美金 20,000,000元整
統一綜合證券股份有限公司	台北市松山區東興路8號	美金 14,000,000元整
上海商業儲蓄銀行股份有限公司	台北市民權東路一段2號	美金 14,000,000元整
永豐金證券股份有限公司	台北市博愛路17號5樓	美金 8,000,000元整

二、承銷總額：總計美金400,000,000元整。
三、承銷方式：本公司債將由承銷商包銷並以「洽商銷售」方式出售予投資人。
四、承銷期間：本公司債定價日為2017年6月20日，於2017年7月4日辦理承銷公告並於2017年7月5日發行。
五、承銷價格：承銷商於銷售期間內依本公司債票面金額銷售，以美金貳拾萬元整為最低銷售單位，發行價格為100%。
六、本公司債主要發行條件 ：
（一）發行日：2017年7月5日。
（二）到期日：2022年7月5日。
（三）發行人評等：Aa2 by Moody's / AA by S&P / AA- by Fitch
（四）受償順位：無擔保主順位債券。
（五）票面金額：美金貳拾萬元整。
（六）票面利率：浮動利率三個月倫敦同業拆放利率 + 80基點。
（七）付息及還本方式：本債券為浮動利率債券。發行人將每季付息，並於債券到期日一次還本。
（八）營業日：紐約、倫敦、台北及首爾之商業銀行對外營業之日。
（九）準據法：英國法。
（十）債券掛牌處所：中華民國櫃檯買賣中心及新加坡交易所。
七、銷售限制：於台灣銷售僅限財團法人中華民國證券櫃檯買賣中心外幣計價國際債券管理規則第二條之一所定義之專業投資人，另依中華民國證券商業同業公會證券商承銷或再行銷售有價證券處理辦法第三十二條之規定，每一認購人認購數量不得超過該次承銷總數之百分之八十，惟認購人為政府基金者不在此限。
八、通知、繳交價款及交付本公司債方式： 承銷商於發行日前通知投資人繳交價款之方式，投資人於發行日以Euroclear或Clearstream(DVP)完成交割或於發行日將本公司債之認購款項匯入承銷商指定帳戶，承銷商將本公司債撥入投資人所指定之集保帳戶。
九、公開說明書之分送、揭露及取閱方式：如經投資人同意承銷商得以電子郵件方式交付公開說明書，投資人並得至公開資訊觀測站(http://mops.twse.com.tw)或渣打國際商業銀行網址(https://www.sc.com/tw)，群益金鼎證券股份有限公司(https://www.capital.com.tw)，中國信託商業銀行股份有限公司(https://www.ctbcbank.com)，凱基商業銀行股份有限公司(https://www.kgibank.com)，凱基證券股份有限公司(https://www.kgieworld.com.tw)，兆豐國際商業銀行股份有限公司(https://www.megabank.com.tw)，統一綜合證券股份有限公司(http://www.pscnet.com.tw)，上海商業儲蓄銀行股份有限公司(http://www.scsb.com.tw)，永豐金證券股份有限公司網址(http://www.sinotrade.com.tw)查詢。
十、會計師對發行人最近三年度財務資料之查核簽證意見

年度	會計師事務所	查核意見
2016 Annual Report	Deloitte	Fairly
2015 Annual Report	Deloitte	Fairly
2014 Annual Report	Deloitte	Fairly

十一、 其他為保護公益及投資人應補充揭露事項:無。
十二、 投資人應詳閱本公司債公開說明書。

The Export-Import Bank of Korea

US$400,000,000 Floating Rate Notes due 2022
under the
US$25,000,000,000 Global Medium Term Note Programme

Issue Price: 100 per cent.

Issue Date: 5 July 2017

This information package includes the Offering Circular dated 12 May 2017 in relation to US$25,000,000,000 Global Medium Term Note Programme (the "**Offering Circular**") and the Pricing Supplement dated 21 June 2017 in respect of the Notes (the "**Pricing Supplement,**" together with the Offering Circular, the "**Information Package**").

The Notes will be issued by the Export-Import Bank of Korea (the "**Issuer**").

Application will be made by the Issuer for the Notes to be listed on the Taipei Exchange ("**TPEx**") in the Republic of China (the "**ROC**"). Application will also be made to list the Notes on Singapore Exchange Securities Trading Limited.

The Notes will be traded on TPEx pursuant to the applicable rules of TPEx. Effective date of listing and trading of the Notes is on or about 5 July 2017.

TPEx is not responsible for the content of the Information Package and no representation is made by TPEx to the accuracy or completeness of the Information Package. TPEx expressly disclaims any and all liability for any losses arising from, or as a result of the reliance on, all or part of the contents of this Information Package. Admission to the listing and trading of the Notes on TPEx shall not be taken as an indication of the merits of the Issuer or the Notes.

The Notes have not been, and shall not be, offered, sold or re-sold, directly or indirectly to investors other than "professional investors" as defined under Paragraph 1 of Article 2-1 of the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds of the ROC. Purchasers of the Notes are not permitted to sell or otherwise dispose of the Notes except by transfer to a professional investor.

Lead Manager

Standard Chartered Bank (Taiwan) Limited

Co-Managers

Capital Securities Corporation
CTBC Bank Co., Ltd.
KGI Bank
KGI Securities Co. Ltd.

Mega International Commercial Bank Co., Ltd.
President Securities Corp
Shanghai Commercial & Savings Bank, Ltd.
Sinopac Securities Corporation

Pricing Supplement

THE EXPORT-IMPORT BANK OF KOREA

Issue of US$400,000,000 Floating Rate Notes due 2022 (the "Notes")

under the US$25,000,000,000
Global Medium Term Note Programme

THE NOTES TO WHICH THIS PRICING SUPPLEMENT RELATES HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, UNLESS SO REGISTERED, 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 UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, THE NOTES WILL BE OFFERED AND SOLD ONLY OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S.

Bookrunner and Lead Manager

Standard Chartered Bank (Taiwan) Limited

Co-Managers

Capital Securities Corporation	**CTBC Bank**	**KGI Bank**
KGI Securities Co., Ltd.	**Mega International Commercial Bank Co., Ltd.**	**President Securities**
Shanghai Commercial & Savings Bank, Ltd.		**Sinopac Securities Corporation**

The date of this Pricing Supplement is 21 June 2017
and was deemed effective 20 June 2017

The Export-Import Bank of Korea
Issue of US$400,000,000 Floating Rate Notes due 2022
under the US$25,000,000,000
Global Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. The terms and conditions of the Notes (the "**Conditions**") shall consist of the terms and conditions set out in the offering circular dated 12 May 2017 (the "**Offering Circular**") as amended and supplemented below. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular. This Pricing Supplement must be read in conjunction with such Offering Circular.

1.	Issuer:	The Export-Import Bank of Korea
2.	(i) Series Number:	1706_USD400M_28_943_Formosa(SCB)
	(ii) Tranche Number:	1
3.	Specified Currency or Currencies:	U.S. Dollar ("**US$**" or "**USD**")
4.	Aggregate Nominal Amount:	
	(i) Series:	US$400,000,000
	(ii) Tranche:	US$400,000,000
5.	(i) Issue Price:	100 per cent. of the Aggregate Nominal Amount
	(ii) Net proceeds (after deducting a combined management and selling commission but not estimated expenses):	US$399,200,000
6.	Specified Denominations:	US$200,000 with integral multiples of US$1,000 in excess thereof
7.	(i) Issue Date:	5 July 2017
	(ii) Interest Commencement Date:	5 July 2017
8.	Maturity Date:	5 July 2022
9.	Interest Basis:	3M USD LIBOR + 0.8 per cent. per annum Floating Rate (further particulars specified below)
10.	Redemption/Payment Basis:	Redemption at par (further particular specified below)
11.	Change of Interest or Redemption/Payment Basis:	Not Applicable
12.	Put/Call Options:	Not Applicable

13.	Listing:	Application will be made to list the Notes on Taipei Exchange ("**TPEx**") of the Republic of China ("**ROC**"). Effective date of listing of the Notes on the TPEx is on or about 5 July 2017. Application will also be made to list the Notes on Singapore Exchange Securities Trading Limited ("**SGX-ST**"). Effective date of listing of the Notes on the SGX-ST is on or about 6 July 2017.
14.	Method of distribution:	Syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	Fixed Rate Note Provisions		Not Applicable
16.	Floating Rate Note Provisions		Applicable
	(i)	Specified Interest Payment Dates:	Quarterly on each of 5 January, 5 April, 5 July and 5 October in each year, commencing on 5 October 2017.
	(ii)	Business Day Convention:	Modified Following Business Convention
	(iii)	Additional Business Centre(s):	London, New York, Seoul and Taipei
	(iv)	Primary Source for Floating Rate:	Page
	(v)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Fiscal Agent):	Not Applicable
	(vi)	Page determination:	
		- Reference Rate:	3-months USD LIBOR
		- Relevant Screen Page:	Reuters Page LIBOR01
		- Interest Determination Date(s):	Two London business days prior to each Specified Interest Payment Date
		- Relevant Time:	11:00 a.m. London time
		- Relevant Financial Centre:	London
	(vii)	Reference Banks determination:	Not Applicable
	(viii)	ISDA Determination:	Not Applicable
		- Floating Rate Option:	Not Applicable
		- Designated Maturity:	Not Applicable
		- Reset Date:	Not Applicable
	(ix)	Margin(s):	+ 0.8 per cent. per annum
	(x)	Minimum Rate of Interest:	Not Applicable
	(xi)	Maximum Rate of Interest:	Not Applicable

	(xii) Day Count Fraction:	Actual/360, Adjusted
	(xiii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	As set out in the Conditions
17.	Zero Coupon Note Provisions	Not Applicable
18.	Dual Currency Note Provisions	Not Applicable

PROVISIONS RELATING TO REDEMPTION

19.	Call Option	Not Applicable
20.	Put Option	Not Applicable
21.	Redemption Amount (at maturity)	Redemption at par
22.	Redemption for Taxation Reasons	
	(i) Redemption for Taxation Reasons permitted on days other than Interest Payment Dates:	Yes
	(ii) Redemption Amount(s) payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions):	Not Applicable

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23.	Form of Notes:	Registered Notes
24.	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	London, New York, Seoul and Taipei
25.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	Not Applicable
26.	Details relating to Instalment Notes: Instalment Date(s); Instalment Amount(s):	Not Applicable
27.	Redenomination, renominalisation and reconventioning provisions:	Not Applicable
28.	Consolidation provisions:	Not Applicable
29.	Other terms or special conditions:	Not Applicable

DISTRIBUTION

30.	(i) If syndicated, names of Managers:	*Bookrunner and Lead Manager:* Standard Chartered Bank (Taiwan) Limited

		Co-Managers:
		Capital Securities Corporation; CTBC Bank Co., Ltd.; KGI Bank; KGI Securities Co. Ltd.; Mega International Commercial Bank Co., Ltd.; President Securities Corp; Shanghai Commercial & Savings Bank, Ltd.; and Sinopac Securities Corporation
	(ii) Stabilising Manager(s) (if any):	Not Applicable
31.	If non-syndicated, name of Dealer/Manager:	Not Applicable
32.	TEFRA:	Not Applicable
33.	Additional selling restrictions:	The Notes have not been, and shall not be, offered, sold or resold, directly or indirectly, to investors other than "**professional investors**" as defined under Paragraph 1 of Article 2-1 of the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds. Purchasers of the Notes are not permitted to sell or otherwise dispose of the Notes except by transfer to a professional investor.

OPERATIONAL INFORMATION

34.	ISIN Code:	XS1637362507
35.	Common Code:	163736250
36.	CUSIP:	Not Applicable
37.	Any clearing system(s) other than Euroclear, Clearstream, Luxembourg and DTC and the relevant identification number(s):	Euroclear, Clearstream, Luxembourg
38.	Delivery:	Delivery against payment
39.	Additional Paying Agent(s) (if any):	Not Applicable
40.	Additional Registrar (if any):	Not Applicable

LISTING APPLICATION

This Pricing Supplement comprises the details required to list the issue of Notes described herein pursuant to the US$25,000,000,000 Global Medium Term Note Programme of the Export-Import Bank of Korea.

Application will be made to list and trade the Notes on Taipei Exchange pursuant to the applicable rules of the Taipei Exchange. Admission to the listing and trading of the Notes on the Taipei Exchange shall not to be taken as an indication of the merits of the Issuer or the Notes. Taipei Exchange is not responsible for the content of this document and the Offering Circular and any supplement or amendment thereto and no representation is made by Taipei Exchange to the accuracy or completeness of this document and the Offering Circular and any supplement or amendment thereto. Taipei Exchange expressly disclaims any and all liability for any losses arising from, or as a result of the reliance on, all or part of the contents of this document and the Offering Circular and any supplement or amendment thereto.

Application will also be made to the SGX-ST for the listing and quotation of the Notes. The SGX-ST assumes no responsibility for any of the statements made, reports contained or opinions expressed in this Pricing Supplement. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer or the Notes.

NOTICES

If and for so long as the Notes are listed on the Taipei Exchange and for so long as the rules of the Taipei Exchange so require, all notices regarding the Notes shall also be published on a website designated by the Taiwan Financial Supervisory Commission (currently, http://mops.twse.com.tw/T113.htm).

ROC TAXATION

The following is a general description of the principal ROC tax consequences for investors receiving interest in respect of, or disposing of, the Notes and is of a general nature based on the Issuer's understanding of current law and practice. It does not purport to be comprehensive and does not constitute legal or tax advice.

This general description is based upon the law as in effect on the date hereof and that the Notes will be issued, offered, sold and re-sold to professional investors as defined under the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds only. This description is subject to change potentially with retroactive effect. Investors should appreciate that, as a result of changing law or practice, the tax consequences may be otherwise than as stated below. Investors should consult their professional advisers on the possible tax consequences of subscribing for, purchasing, holding or selling the Notes.

Interest on the Notes

As the Issuer of the Notes is not a ROC statutory tax withholder, there is no ROC withholding tax on the interest to be paid by the Issuer on the Notes.

Payments of interest under the Notes to an ROC individual holder are not subject to ROC income tax as such payments received by him/her are not considered to be ROC-sourced income. However, such holder must include the interest in calculating his/her basic income for the purpose of calculating his/her alternative minimum tax ("AMT"), unless the sum of the interest and other non- ROC-sourced income received by such holder and the person(s) who is (are) required to jointly file the tax return in a calendar year is below $1 million New Taiwan Dollars ("NT$"). If the amount of the AMT exceeds the annual income tax calculated pursuant to ROC Income Basic Tax Act (also known as the AMT Act), the excess becomes such holder's AMT payable.

ROC corporate holders must include the interest receivable under the Notes as part of their taxable income and pay income tax at a flat rate of 17% (unless the total taxable income for a fiscal year is under NT$120,000), as they are subject to income tax on their worldwide income on an accrual basis. The AMT is not applicable.

Sale of the Notes

In general, the sale of corporate bonds or financial bonds is subject to 0.1% securities transaction tax ("STT") on the transaction price. However, Article 2-1 of the Securities Transaction Tax Act prescribes that STT will cease to be levied on the sale of corporate bonds and financial bonds from 1 January 2010 to 31 December 2026. Therefore, the sale of the Notes will be exempt from STT if the sale is conducted on or before 31 December 2026. Starting from 1 January 2027, any sale of the Notes will be subject to STT at 0.1 % of the transaction price, unless otherwise provided by the tax laws that may be in force at that time.

Capital gains generated from the sale of bonds are exempt from income tax. Accordingly, ROC individual and corporate holders are not subject to income tax on any capital gains generated from the sale of the Notes. In addition, ROC individual holders are not subject to AMT on any capital gains generated from the sale of the Notes. However, ROC corporate holders should include the capital gains in calculating their basic income for the purpose of calculating their AMT. If the amount of the AMT exceeds the annual income tax calculated pursuant to the ROC Income Basic Tax Act (also known as the AMT Act), the excess becomes the ROC corporate holders' AMT payable. Capital losses, if any, incurred by such holders could be carried over 5 years to offset against capital gains of same category of income for the purposes of calculating their AMT.

Non-ROC corporate holders with a fixed place of business (e.g., a branch) or a business agent in the ROC are not subject to income tax on any capital gains generated from the sale of the Notes. However, their fixed place of business or business agent should include any such capital gains in calculating their basic income for the purpose of calculating AMT.

As to non-ROC corporate holders without a fixed place of business and a business agent in the ROC, they are not subject to income tax or AMT on any capital gains generated from the sale of the Notes.

ROC SETTLEMENT AND TRADING

Investors with a securities book-entry account with an ROC securities broker and a foreign currency deposit account with an ROC bank, may request the approval of the Taiwan Depositary & Clearing Corporation ("TDCC") for the settlement of the Notes through the account of TDCC with Euroclear or Clearstream, Luxembourg and if such approval is granted by TDCC, the Notes may be so cleared and settled. In such circumstances, TDCC will allocate the respective book-entry interest of such investor in the Notes position to the securities book-entry account designated by such investor in the ROC. The Notes will be traded and settled pursuant to the applicable rules and operating procedures of TDCC and the TPEx as domestic bonds.

In addition, an investor may apply to TDCC (by filing in a prescribed form) to transfer the Notes in its own account with Euroclear or Clearstream, Luxembourg to the TDCC account with Euroclear or Clearstream, Luxembourg for trading in the domestic market or vice versa for trading in overseas markets.

For such investors who hold their interest in the Notes through an account opened and held by TDCC with Euroclear or Clearstream, Luxembourg, distributions of principal and/or interest for the Notes to such holders may be made by payment services banks whose systems are connected to TDCC to the foreign currency deposit accounts of the holders. Such payment is expected to be made on the second Taiwanese business day following TDCC's receipt of such payment (due to time difference, the payment is expected to be received by TDCC one Taiwanese business day after the distribution date). However, when the holders will actually receive such distributions may vary depending upon the daily operations of the ROC banks with which the holder has the foreign currency deposit account.

RESPONSIBILITY

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

Signed on behalf of the Issuer:

By: ....
Duly authorised

Name: Ja-young Gu
Title: Director, Treasury Group

By: ....
Duly authorised

Name: Tae-hyun Lee
Title: Deputy Director, Treasury Group

IMPORTANT NOTICE

THIS DOCUMENT IS AVAILABLE ONLY TO INVESTORS WHO ARE NON-U.S. PERSONS WITH ADDRESSEES OUTSIDE OF THE UNITED STATES

IMPORTANT: You must read the following before continuing. If you are not the intended recipient of this message, please do not distribute or copy the information contained in this e-mail, but instead, delete and destroy all copies of this e-mail including all attachments. The following applies to the offering circular following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the offering circular. In accessing the offering circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. ANY INVESTMENT DECISION SHOULD BE MADE ON THE BASIS OF THE FINAL TERMS AND CONDITIONS OF THE RELEVANT SECURITIES. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your Representation: In order to be eligible to view the following offering circular or make an investment decision with respect to the securities, investors must be non-U.S. persons (within the meaning of Regulation S under the Securities Act) outside the United States. By accepting the e-mail and accessing the following offering circular, you shall be deemed to have represented to us that (1) you and any customers you represent are non-U.S. persons and that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions and (2) you consent to the delivery of such offering circular by electronic transmission.

You are reminded that the following offering circular has been delivered to you on the basis that you are a person into whose possession the following offering circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of the following offering circular to any other person. If this is not the case, you must return this offering circular to us immediately.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction.

The following offering circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of Standard Chartered Bank (Taiwan) Limited, Capital Securities Corporation, CTBC Bank Co., Ltd., KGI Bank, KGI Securities Co. Ltd., Mega International Commercial Bank Co., Ltd., President Securities Corp, Shanghai Commercial & Savings Bank, Ltd. and Sinopac Securities Corporation (the "**Managers**") nor any person who controls the Manager nor any director, officer, employee nor agent of any of the Manager or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the offering circular distributed to you in electronic format and the hard copy version available to you on request from the Manager.

You should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e- mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Pricing Supplement

THE EXPORT-IMPORT BANK OF KOREA

Issue of US$400,000,000 Floating Rate Notes due 2022 (the "Notes")

under the US$25,000,000,000
Global Medium Term Note Programme

THE NOTES TO WHICH THIS PRICING SUPPLEMENT RELATES HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, UNLESS SO REGISTERED, 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 UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, THE NOTES WILL BE OFFERED AND SOLD ONLY OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S.

Bookrunner and Lead Manager

Standard Chartered Bank (Taiwan) Limited

Co-Managers

Capital Securities Corporation	**CTBC Bank**	**KGI Bank**
KGI Securities Co., Ltd.	**Mega International Commercial Bank Co., Ltd.**	**President Securities**
Shanghai Commercial & Savings Bank, Ltd.		**Sinopac Securities Corporation**

The date of this Pricing Supplement is 21 June 2017
and was deemed effective 20 June 2017

The Export-Import Bank of Korea
Issue of US$400,000,000 Floating Rate Notes due 2022
under the US$25,000,000,000
Global Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. The terms and conditions of the Notes (the "**Conditions**") shall consist of the terms and conditions set out in the offering circular dated 12 May 2017 (the "**Offering Circular**") as amended and supplemented below. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular. This Pricing Supplement must be read in conjunction with such Offering Circular.

1.	Issuer:	The Export-Import Bank of Korea
2.	(i) Series Number:	1706_USD400M_28_943_Formosa(SCB)
	(ii) Tranche Number:	1
3.	Specified Currency or Currencies:	U.S. Dollar ("**US$**" or "**USD**")
4.	Aggregate Nominal Amount:	
	(i) Series:	US$400,000,000
	(ii) Tranche:	US$400,000,000
5.	(i) Issue Price:	100 per cent. of the Aggregate Nominal Amount
	(ii) Net proceeds (after deducting a combined management and selling commission but not estimated expenses):	US$399,200,000
6.	Specified Denominations:	US$200,000 with integral multiples of US$1,000 in excess thereof
7.	(i) Issue Date:	5 July 2017
	(ii) Interest Commencement Date:	5 July 2017
8.	Maturity Date:	5 July 2022
9.	Interest Basis:	3M USD LIBOR + 0.8 per cent. per annum Floating Rate (further particulars specified below)
10.	Redemption/Payment Basis:	Redemption at par (further particular specified below)
11.	Change of Interest or Redemption/Payment Basis:	Not Applicable
12.	Put/Call Options:	Not Applicable

13.	Listing:		Application will be made to list the Notes on Taipei Exchange ("**TPEx**") of the Republic of China ("**ROC**"). Effective date of listing of the Notes on the TPEx is on or about 5 July 2017. Application will also be made to list the Notes on Singapore Exchange Securities Trading Limited ("**SGX-ST**"). Effective date of listing of the Notes on the SGX-ST is on or about 6 July 2017.
14.	Method of distribution:		Syndicated

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	Fixed Rate Note Provisions		Not Applicable
16.	Floating Rate Note Provisions		Applicable
	(i)	Specified Interest Payment Dates:	Quarterly on each of 5 January, 5 April, 5 July and 5 October in each year, commencing on 5 October 2017.
	(ii)	Business Day Convention:	Modified Following Business Convention
	(iii)	Additional Business Centre(s):	London, New York, Seoul and Taipei
	(iv)	Primary Source for Floating Rate:	Page
	(v)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Fiscal Agent):	Not Applicable
	(vi)	Page determination:	
		- Reference Rate:	3-months USD LIBOR
		- Relevant Screen Page:	Reuters Page LIBOR01
		- Interest Determination Date(s):	Two London business days prior to each Specified Interest Payment Date
		- Relevant Time:	11:00 a.m. London time
		- Relevant Financial Centre:	London
	(vii)	Reference Banks determination:	Not Applicable
	(viii)	ISDA Determination:	Not Applicable
		- Floating Rate Option:	Not Applicable
		- Designated Maturity:	Not Applicable
		- Reset Date:	Not Applicable
	(ix)	Margin(s):	+ 0.8 per cent. per annum
	(x)	Minimum Rate of Interest:	Not Applicable
	(xi)	Maximum Rate of Interest:	Not Applicable

	(xii) Day Count Fraction:	Actual/360, Adjusted
	(xiii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	As set out in the Conditions
17.	Zero Coupon Note Provisions	Not Applicable
18.	Dual Currency Note Provisions	Not Applicable

PROVISIONS RELATING TO REDEMPTION

19.	Call Option	Not Applicable
20.	Put Option	Not Applicable
21.	Redemption Amount (at maturity)	Redemption at par
22.	Redemption for Taxation Reasons	
	(i) Redemption for Taxation Reasons permitted on days other than Interest Payment Dates:	Yes
	(ii) Redemption Amount(s) payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions):	Not Applicable

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23.	Form of Notes:	Registered Notes
24.	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	London, New York, Seoul and Taipei
25.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	Not Applicable
26.	Details relating to Instalment Notes: Instalment Date(s); Instalment Amount(s):	Not Applicable
27.	Redenomination, renominalisation and reconventioning provisions:	Not Applicable
28.	Consolidation provisions:	Not Applicable
29.	Other terms or special conditions:	Not Applicable

DISTRIBUTION

30.	(i) If syndicated, names of Managers:	*Bookrunner and Lead Manager:* Standard Chartered Bank (Taiwan) Limited

		Co-Managers:
		Capital Securities Corporation; CTBC Bank Co., Ltd.; KGI Bank; KGI Securities Co. Ltd.; Mega International Commercial Bank Co., Ltd.; President Securities Corp; Shanghai Commercial & Savings Bank, Ltd.; and Sinopac Securities Corporation
	(ii) Stabilising Manager(s) (if any):	Not Applicable
31.	If non-syndicated, name of Dealer/Manager:	Not Applicable
32.	TEFRA:	Not Applicable
33.	Additional selling restrictions:	The Notes have not been, and shall not be, offered, sold or resold, directly or indirectly, to investors other than "**professional investors**" as defined under Paragraph 1 of Article 2-1 of the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds. Purchasers of the Notes are not permitted to sell or otherwise dispose of the Notes except by transfer to a professional investor.

OPERATIONAL INFORMATION

34.	ISIN Code:	XS1637362507
35.	Common Code:	163736250
36.	CUSIP:	Not Applicable
37.	Any clearing system(s) other than Euroclear, Clearstream, Luxembourg and DTC and the relevant identification number(s):	Euroclear, Clearstream, Luxembourg
38.	Delivery:	Delivery against payment
39.	Additional Paying Agent(s) (if any):	Not Applicable
40.	Additional Registrar (if any):	Not Applicable

LISTING APPLICATION

This Pricing Supplement comprises the details required to list the issue of Notes described herein pursuant to the US$25,000,000,000 Global Medium Term Note Programme of the Export-Import Bank of Korea.

Application will be made to list and trade the Notes on Taipei Exchange pursuant to the applicable rules of the Taipei Exchange. Admission to the listing and trading of the Notes on the Taipei Exchange shall not to be taken as an indication of the merits of the Issuer or the Notes. Taipei Exchange is not responsible for the content of this document and the Offering Circular and any supplement or amendment thereto and no representation is made by Taipei Exchange to the accuracy or completeness of this document and the Offering Circular and any supplement or amendment thereto. Taipei Exchange expressly disclaims any and all liability for any losses arising from, or as a result of the reliance on, all or part of the contents of this document and the Offering Circular and any supplement or amendment thereto.

Application will also be made to the SGX-ST for the listing and quotation of the Notes. The SGX-ST assumes no responsibility for any of the statements made, reports contained or opinions expressed in this Pricing Supplement. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer or the Notes.

NOTICES

If and for so long as the Notes are listed on the Taipei Exchange and for so long as the rules of the Taipei Exchange so require, all notices regarding the Notes shall also be published on a website designated by the Taiwan Financial Supervisory Commission (currently, http://mops.twse.com.tw/T113.htm).

ROC TAXATION

The following is a general description of the principal ROC tax consequences for investors receiving interest in respect of, or disposing of, the Notes and is of a general nature based on the Issuer's understanding of current law and practice. It does not purport to be comprehensive and does not constitute legal or tax advice.

This general description is based upon the law as in effect on the date hereof and that the Notes will be issued, offered, sold and re-sold to professional investors as defined under the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds only. This description is subject to change potentially with retroactive effect. Investors should appreciate that, as a result of changing law or practice, the tax consequences may be otherwise than as stated below. Investors should consult their professional advisers on the possible tax consequences of subscribing for, purchasing, holding or selling the Notes.

Interest on the Notes

As the Issuer of the Notes is not a ROC statutory tax withholder, there is no ROC withholding tax on the interest to be paid by the Issuer on the Notes.

Payments of interest under the Notes to an ROC individual holder are not subject to ROC income tax as such payments received by him/her are not considered to be ROC-sourced income. However, such holder must include the interest in calculating his/her basic income for the purpose of calculating his/her alternative minimum tax ("AMT"), unless the sum of the interest and other non- ROC-sourced income received by such holder and the person(s) who is (are) required to jointly file the tax return in a calendar year is below $1 million New Taiwan Dollars ("NT$"). If the amount of the AMT exceeds the annual income tax calculated pursuant to ROC Income Basic Tax Act (also known as the AMT Act), the excess becomes such holder's AMT payable.

ROC corporate holders must include the interest receivable under the Notes as part of their taxable income and pay income tax at a flat rate of 17% (unless the total taxable income for a fiscal year is under NT$120,000), as they are subject to income tax on their worldwide income on an accrual basis. The AMT is not applicable.

Sale of the Notes

In general, the sale of corporate bonds or financial bonds is subject to 0.1% securities transaction tax ("STT") on the transaction price. However, Article 2-1 of the Securities Transaction Tax Act prescribes that STT will cease to be levied on the sale of corporate bonds and financial bonds from 1 January 2010 to 31 December 2026. Therefore, the sale of the Notes will be exempt from STT if the sale is conducted on or before 31 December 2026. Starting from 1 January 2027, any sale of the Notes will be subject to STT at 0.1 % of the transaction price, unless otherwise provided by the tax laws that may be in force at that time.

Capital gains generated from the sale of bonds are exempt from income tax. Accordingly, ROC individual and corporate holders are not subject to income tax on any capital gains generated from the sale of the Notes. In addition, ROC individual holders are not subject to AMT on any capital gains generated from the sale of the Notes. However, ROC corporate holders should include the capital gains in calculating their basic income for the purpose of calculating their AMT. If the amount of the AMT exceeds the annual income tax calculated pursuant to the ROC Income Basic Tax Act (also known as the AMT Act), the excess becomes the ROC corporate holders' AMT payable. Capital losses, if any, incurred by such holders could be carried over 5 years to offset against capital gains of same category of income for the purposes of calculating their AMT.

Non-ROC corporate holders with a fixed place of business (e.g., a branch) or a business agent in the ROC are not subject to income tax on any capital gains generated from the sale of the Notes. However, their fixed place of business or business agent should include any such capital gains in calculating their basic income for the purpose of calculating AMT.

As to non-ROC corporate holders without a fixed place of business and a business agent in the ROC, they are not subject to income tax or AMT on any capital gains generated from the sale of the Notes.

ROC SETTLEMENT AND TRADING

Investors with a securities book-entry account with an ROC securities broker and a foreign currency deposit account with an ROC bank, may request the approval of the Taiwan Depositary & Clearing Corporation ("TDCC") for the settlement of the Notes through the account of TDCC with Euroclear or Clearstream, Luxembourg and if such approval is granted by TDCC, the Notes may be so cleared and settled. In such circumstances, TDCC will allocate the respective book-entry interest of such investor in the Notes position to the securities book-entry account designated by such investor in the ROC. The Notes will be traded and settled pursuant to the applicable rules and operating procedures of TDCC and the TPEx as domestic bonds.

In addition, an investor may apply to TDCC (by filing in a prescribed form) to transfer the Notes in its own account with Euroclear or Clearstream, Luxembourg to the TDCC account with Euroclear or Clearstream, Luxembourg for trading in the domestic market or vice versa for trading in overseas markets.

For such investors who hold their interest in the Notes through an account opened and held by TDCC with Euroclear or Clearstream, Luxembourg, distributions of principal and/or interest for the Notes to such holders may be made by payment services banks whose systems are connected to TDCC to the foreign currency deposit accounts of the holders. Such payment is expected to be made on the second Taiwanese business day following TDCC's receipt of such payment (due to time difference, the payment is expected to be received by TDCC one Taiwanese business day after the distribution date). However, when the holders will actually receive such distributions may vary depending upon the daily operations of the ROC banks with which the holder has the foreign currency deposit account.

Offering Circular 12 May 2017

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)

US$25,000,000,000
Global Medium Term Note Programme

Under The Export-Import Bank of Korea Global Medium Term Note Programme described in this Offering Circular (the "**Programme**"), The Export-Import Bank of Korea (the "**Issuer**" or the "**Bank**" or "**KEXIM**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the "**Notes**"). The aggregate principal amount of Notes outstanding will not at any time exceed US$25,000,000,000 (or the equivalent in other currencies).

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "**Singapore Stock Exchange**") in connection with the Programme and application will be made for the listing and quotation of Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the Singapore Stock Exchange.

Such permission will be granted when such Notes have been admitted for listing and quotation on the Singapore Stock Exchange. The Singapore Stock Exchange assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of any Notes on, the Singapore Stock Exchange are not to be taken as an indication of the merits of the Issuer, the Programme or the Notes. The Programme provides that Notes may be listed or admitted to trading on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes.

Each Series (as defined herein) of Notes in bearer form will be represented on issue by a temporary global note in bearer form (each a "**temporary Global Note**" or "**Global Note**") or a permanent global note in bearer form (each a "**permanent Global Note**" or "**Global Note**"). Global Notes may be deposited on the issue date of a relevant series with a common depositary on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream, S.A. ("**Clearstream**, **Luxembourg**"). The provisions governing the exchange of interests in Global Notes for interests in other Global Notes and definitive Notes are described in "Form of Notes and Transfer Restrictions". Each Series of Notes in registered form will be represented by one or more global certificates (each a "**Global Certificate**") in fully registered form without interest coupons, deposited on the issue date (i) with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("**DTC**") and/or (ii) with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream, Luxembourg, which may be exchangeable under their terms for definitive Registered Notes (as defined herein). See "Form of Notes and Transfer Restrictions—Registered Notes".

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY INCLUDE NOTES IN BEARER FORM THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES EXCEPT, IN THE CASE OF NOTES IN REGISTERED FORM, TO QUALIFIED INSTITUTIONAL BUYERS PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"). FOR CERTAIN RESTRICTIONS ON TRANSFER OF THE NOTES, SEE "FORM OF NOTES AND TRANSFER RESTRICTIONS".

Arranger
UBS

Dealers

Banco Bilbao Vizcaya Argentaria, S.A. — **Barclays**
BNP PARIBAS — **BofA Merrill Lynch**
Citigroup — **Crédit Agricole CIB**
Credit Suisse — **Daiwa Capital Markets Europe**
DBS Bank Ltd. — **Deutsche Bank**
Goldman Sachs International — **HSBC**
ING — **J.P. Morgan**
Morgan Stanley — **MUFG**
Nomura — **Société Générale Corporate & Investment Banking**
Standard Chartered Bank — **UBS**

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer, having made all reasonable enquiries, confirms that this Offering Circular contains all information with respect to the Issuer, to the Issuer and its subsidiaries and affiliates taken as a whole (the "Group") and to the Notes that is material in the context of the issue and offering of the Notes, the statements contained in it relating to the Issuer and to the Group are in every material particular true and accurate and not misleading, the opinions and intentions expressed in this Offering Circular with regard to the Issuer and to the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, there are no other facts in relation to the Issuer, the Group or the Notes the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Circular misleading in any material respect and all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

To the fullest extent permitted by law, none of the Dealers, the Arranger or the Agents accept any liability in relation to the information contained or incorporated by reference in this Offering Circular, any other information provided by the Issuer in connection with the Programme or any other statement, made or purported to be made by the Arranger or any Dealer or Agent on its behalf in connection with the Issuer or the issue and offering of Notes. Each of the Arranger, Dealers and Agents accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

No person has been authorised to give any information or to make any representation other than those contained in this Offering Circular in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Dealers or Arrangers (as defined in "Summary of the Programme"). Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Issuer since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this document may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Dealers which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in certain jurisdictions. For a description of these and certain further restrictions on offers and sales of the Notes and distribution of this Offering Circular, see "Form of Notes and Transfer Restrictions" and "Subscription and Sale".

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and

Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). Any Notes will only be available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

The Notes have not been and will not be registered under the Securities Act, and may include Notes in bearer form that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, or delivered directly or indirectly within the United States or for the account or benefit of U.S. persons as defined in Regulation S under the Securities Act. Prospective purchasers are hereby notified that a seller of the Notes may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A under such act.

None of the Dealers or the Arranger has separately verified the information contained herein. None of the Dealers or the Arranger makes any representation or warranty, express or implied, or accepts any responsibility or liability, with respect to the accuracy or completeness of any of the information contained or incorporated in this Offering Circular or any other information or statement made or purported to be made in relation to the Issuer, the Programme, the Notes or the distribution of the Notes. Neither this Offering Circular nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arranger or the Dealers that any recipient of this Offering Circular or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arranger undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arranger. Investors and potential investors acknowledge that they have not relied, and will not rely, on the Arranger or the Dealers in connection with their investigation of the accuracy of any information or their decision whether to invest in any Notes.

In connection with the issue of any Tranche (as defined in "Summary of the Programme") of Notes under the Programme, the Dealer (if any) specified in the relevant Pricing Supplement as the Stabilising Managers (or any person acting on behalf of any Stabilising Manager) may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there may be no obligation on the Stabilising Managers (or any person acting on behalf of any Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

AVAILABLE INFORMATION

To permit compliance with Rule 144A under the Securities Act in connection with sales of the Notes in accordance with Rule 144A, the Bank will be required under the Terms and Conditions of the Notes to furnish, upon request, to any Noteholder and any prospective purchaser of such Notes from such Noteholder the information required to be delivered under Rule 144A(d)(4) under the Securities Act unless at the time of the request the Bank is a reporting company under Section 13 or Section 15(d) of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), or is included in the list of foreign private issuers that claim exemption from the registration requirements of Section 12(g) of the Exchange Act (and therefore is required to furnish to the United States Securities and Exchange Commission certain information pursuant to Rule 12g3-2(b) under the Exchange Act).

ENFORCEMENT OF CIVIL LIABILITIES

The Bank is a statutory juridical entity established under The Export-Import Bank of Korea Act of 1969, as amended, in Korea. Substantially all of the officers of the Bank 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 the assets of the Bank 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 the Bank 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.

FORWARD LOOKING STATEMENTS

This document includes "forward-looking statements," as defined in Section 27A of the Securities Act and Section 21E of the Exchange Act, including statements regarding the Bank's expectations and projections for future operating performance and business prospects. The words "believe," "expect," "anticipate," "estimate," "project," and similar words identify forward-looking statements. In addition, all statements other than statements of historical facts included in this document are forward-looking statements. Although the Bank believes that the expectations reflected in the forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. This document discloses important factors that could cause actual results to differ materially from the Bank's expectations ("**Cautionary Statements**"). All subsequent written and oral forward-looking statements attributable to the Bank or persons acting on behalf of the Bank are expressly qualified in their entirety by the Cautionary Statements.

Factors that could adversely affect the future performance of the Korean economy include:

- difficulties in the financial sectors in Europe and elsewhere and increased sovereign default risks in selected countries and the resulting adverse effects on the global financial markets;
- adverse conditions or uncertainty in the economies of countries and regions that are important export markets for Korea, such as the United States, Europe, Japan and China, or in emerging market economies in Asia or elsewhere, as well as increased uncertainty in the wake of a referendum in the United Kingdom in June 2016, in which the majority of voters voted in favor of an exit from the European Union ("Brexit");
- adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including fluctuation of the U.S. dollar, the euro or Japanese yen exchange rates or revaluation of the Chinese renminbi and the overall impact of Brexit on the value of the Korean Won), interest rates, inflation rates or stock markets;
- declines in consumer confidence and a slowdown in consumer spending;
- increasing levels of household debt;
- increasing delinquencies and credit defaults by consumer and small- and medium-sized enterprise borrowers;
- further decreases in the market prices of Korean real estate;
- the continued growth 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), as well as a slowdown in the growth of China's economy, which is Korea's most important export market;

- the recent political scandal in Korea involving a confidant of the President and the resulting social unrest, as well as related investigations of Korean conglomerates and their senior management for bribery, embezzlement and other possible misconduct;
- increased sovereign default risk in select countries and the resulting adverse effects on the global financial markets;
- the economic impact of any pending or future free trade agreements;
- social and labor unrest;
- a decrease in tax revenues and a substantial increase in the Government's expenditures for fiscal stimulus measures, unemployment compensation and other economic and social programs that, together, would lead to an increased 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 or corporate governance issues at certain Korean companies;
- increases in social expenditures to support an aging population in Korea or decreases in economic productivity due to the declining population size in Korea;
- geo-political uncertainty and risk of further attacks by terrorist groups around the world;
- the occurrence of severe health epidemics in Korea or other parts of the world, including an outbreak of severe acute respiratory syndrome, swine or avian flu, Ebola or Middle East respiratory syndrome.
- deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from territorial or trade disputes or disagreements in foreign policy (such as the ongoing controversy between Korea and China regarding the decision to allow the United States to deploy the Terminal High Altitude Area Defense system in Korea);
- political uncertainty or increasing strife among or within political parties in Korea;
- natural or man-made disasters that have a significant adverse economic or other impact on Korea or its major trading partners;
- hostilities or political or social tensions involving oil producing countries in the Middle East or North Africa and any material disruption in the supply of oil or sudden increase in the price of oil; and
- an increase in the level of tensions or an outbreak of hostilities between North Korea and Korea or the United States.

CERTAIN DEFINED TERMS AND CONVENTIONS

Unless otherwise indicated, all references to "**won**", "**Won**" or "**₩**" contained in this Offering Circular are to the currency of Korea, references to "**U.S. dollars**", "**Dollars**", "**USD**", "**$**" or "**US$**" are to the currency of the United States of America, references to "**Canadian Dollar**" or "**CAD**" are to the currency of Canada, references to "**Euro**", "**EUR**" or "**€**" are to the currency of the European Union, references to "**Japanese Yen**", "**JPY**" or "**¥**" are to the currency of Japan, references to "**Chinese Renminbi**" or "**CNY**" are to the currency of the People's Republic of China, references to "**Swiss Franc**" or "**CHF**" are to the currency of Switzerland, references to "**British Pound**" or "**GBP**" are to the currency of the United Kingdom, references to "**Deutsche Mark**" are to the currency of the Federal Republic of Germany, references to "**Hong Kong Dollar**" or "**HKD**" are to the currency of Hong Kong, S.A.R., references to "**Singapore dollar**" or "**SGD**" are to the currency of Singapore, references to "**Turkish Lira**" or "**TRY**" are to the currency of Turkey, references to "**Malaysia Ringgit**" or "**MYR**" are to the currency of Malaysia, references to "**Brazilian Real**" or "**BRL**" are to the currency of Federative Republic of Brazil, references to "**Mexican Peso**" or "**MXN**" are to the currency of the United Mexican States, references to "**New Zealand Dollar**" or "**NZD**" are to the currency of New Zealand, references to "**Taiwan Dollar**" or "**TWD**" are to the currency of Taiwan, references to "**Thai Baht**" or "**THB**" are to the currency of Thailand, references to "**Australian Dollar**" or "**AUD**" are to the currency of Australia, references to "**Indian Rupee**" or "**INR**" are to the currency of India, references to "**Indonesian Rupiah**" or "**IDR**" are to the currency of Indonesia, references to "**Russian Ruble**" or "**RUB**" are to the currency of the Russian Federation, references to "**Swedish Krona**" or "**SEK**" are to the currency of Sweden, references to "**South African Rand**" or "**ZAR**" are to the currency of South Africa, references to "**Danish Krone**" or "**DKK**" are to the currency of Denmark and references to "**Peruvian Sol**" or "**PEN**" are to the currency of Peru. Except where otherwise stated, Won amounts have been translated into Dollars at the rate of Won 1,172.0 to US$1.00, which was the market average exchange rate as announced by the Seoul Money Brokerage Services, Ltd. on 31 December 2015. 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.

The Bank's financial statements and separate financial information included in this Offering Circular were prepared under International Financial Reporting Standards as adopted by Korea ("**Korean IFRS**" or "**K-IFRS**"). References in this Offering Circular to "separate" financial statements and information are to financial statements and information prepared on a non-consolidated basis. Unless specified otherwise, the Bank's financial and other information included in this Offering Circular is presented on a separate basis in accordance with Korean IFRS and does not include such information with respect to its subsidiaries.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Offering Circular:

(a) the most recently published audited separate and consolidated annual financial statements and, if published later, the most recently published interim separate and consolidated financial statements (if any) of the Issuer from time to time;

(b) all supplements or amendments to this Offering Circular circulated by the Issuer from time to time; and

(c) the most recent shelf registration statement or post-effective amendment filed with the Securities and Exchange Commission by the Bank and other reports (including any prospectus supplements) filed with the Securities and Exchange Commission by the Bank since the most recent filing of the shelf registration statement or post-effective amendment, as the case may be,

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

The Issuer will provide, without charge, to each person to whom a copy of this Offering Circular has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the Issuer at its office set out at the end of this Offering Circular. In addition, such documents will be available from the principal office in London of Deutsche Bank AG, London Branch (the "**Fiscal Agent**").

The Issuer will, in connection with the listing of the Notes on the Singapore Stock Exchange, so long as the rules of such exchange so require, in the event of any material change in the information contained in this Offering Circular, prepare a supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of the Notes to be listed on the Singapore Stock Exchange.

If the terms of the Programme are modified or amended in a manner which would make this Offering Circular, as so modified or amended, inaccurate or misleading, a new Offering Circular will be prepared.

SUPPLEMENTARY OFFERING CIRCULAR

The Issuer has given an undertaking to the Dealers that if at any time during the duration of the Programme there is a significant change affecting any matter contained in this Offering Circular whose inclusion would reasonably be required by investors and their professional advisers, and would reasonably be expected by them to be found in this Offering Circular, for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the rights attaching to the Notes, the Issuer shall prepare an amendment or supplement to this Offering Circular or publish a replacement Offering Circular for use in connection with any subsequent offering of the Notes and shall supply to each Dealer such number of copies of such supplement hereto as such Dealer may reasonably request.

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SUMMARY OF THE PROGRAMME

The following summary is qualified in its entirety by the remainder of this Offering Circular.

Issuer	The Export-Import Bank of Korea
Description	Global Medium Term Note Programme
Size	Up to US$25,000,000,000 (or the equivalent in other currencies at the date of issue) aggregate principal amount of Notes outstanding at any one time.
Arranger.......................................	UBS AG Hong Kong Branch
Dealers...	Banco Bilbao Vizcaya Argentaria, S.A. Barclays Bank PLC BNP Paribas Citigroup Global Markets Limited Crédit Agricole Corporate and Investment Bank Credit Suisse Securities (Europe) Limited Daiwa Capital Markets Europe Limited DBS Bank Ltd. Deutsche Bank AG, Singapore Branch Goldman Sachs International The Hongkong and Shanghai Banking Corporation Limited ING Bank N.V., Singapore Branch J.P. Morgan Securities plc Merrill Lynch International MUFG Securities EMEA plc Morgan Stanley & Co. International plc Nomura International plc Société Générale Standard Chartered Bank UBS AG Hong Kong Branch The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme. References in this Offering Circular to "Dealers" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and to all persons appointed as a dealer in respect of one or more Tranches.
Fiscal Agent.................................	Deutsche Bank AG, London Branch
Paying Agents and Transfer Agents..	Deutsche Bank AG, London Branch, Deutsche Bank Trust Company Americas and Deutsche Bank Luxembourg S.A. For so long as the Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, in the event that a permanent Global Note is exchanged for Definitive Notes, the Issuer will appoint and maintain a Paying Agent in Singapore (the "**Singapore Paying Agent**") (unless the Issuer obtains an exemption from the Singapore Stock Exchange) where the Definitive Notes may be presented or surrendered for payment or redemption. In addition, in the event that a permanent Global Note is exchanged for Definitive Notes, an announcement of such exchange shall be made by the Issuer or on the Issuer's behalf through the Singapore Stock Exchange and such announcement will include all material information with respect to the delivery of the Definitive Notes, including details of the

Singapore Paying Agent.

Registrar	Deutsche Bank Trust Company Americas
Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche (which will be supplemented, where necessary, with supplemental terms and conditions and, save in respect of the issue date, issue price, first payment of interest and principal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in the relevant Pricing Supplement.
Issue Price....................................	Notes may be issued at their principal amount or at a discount or premium to their principal amount. Partly-paid Notes will not be issued under the Programme.
Form of Notes..............................	The Notes may be issued in bearer form only ("**Bearer Notes**"), in bearer form exchangeable for Registered Notes ("**Exchangeable Bearer Notes**") or in registered form only ("**Registered Notes**"). Each Tranche of Bearer Notes and Exchangeable Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their Issue Date (as defined in the Terms and Conditions of the Notes) or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in "Summary of the Programme—Selling Restrictions"), otherwise such Tranche will be represented by a permanent Global Note. Registered Notes offered and sold outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act ("**Regulation S**") will be represented by interests in an unrestricted Global Certificate, in registered form, without interest coupons attached (each, an "**Unrestricted Global Certificate**"), which will be deposited on or about their Issue Date with Deutsche Bank AG, London Branch, as common depositary for, and registered in the name of BT Globenet Nominees Limited as nominee for such common depositary in respect of interests held through, Euroclear and Clearstream, Luxembourg. A beneficial interest in the Unrestricted Global Certificate may at all times be held only through Euroclear and Clearstream, Luxembourg. Registered Notes offered and sold within the United States to qualified institutional buyers in reliance on Rule 144A will be represented by interests in a restricted Global Certificate, in registered form, without coupons attached (each a "**Restricted Global Certificate**"), which will be deposited on or about their Issue Date with Deutsche Bank Trust Company Americas, as custodian for, and registered in the name of Cede & Co. as nominee for, DTC. The Restricted Global Certificate (and any definitive Registered Notes issued in exchange therefor) will be subject to certain restrictions on transfer contained in a legend appearing on the face of such Certificate.
Clearing Systems	Clearstream, Luxembourg and Euroclear for Bearer Notes, Clearstream, Luxembourg, Euroclear and DTC for Registered Notes. Application will be made for trading of Registered Notes in PORTAL, as specified in the applicable Pricing Supplement. In relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer.
Initial Delivery of Notes	On or before the Issue Date for each Tranche, the Global Note representing Bearer Notes or Exchangeable Bearer Notes or the Global Certificate

representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg and/or a custodian for DTC. Global Notes or Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.

Currencies....................................	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in US Dollars, Australian Dollars, Canadian Dollars, Danish Kroner, Euro, Hong Kong Dollars, New Zealand Dollars, Pounds Sterling, Swedish Kronor, Swiss Francs or Yen or in other currencies if the Issuer and the relevant Dealer or Dealers so agree.
Maturities.....................................	Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by then current laws, regulations, directives and/or central bank requirements.
	Notes with a maturity of less than one year:
	Notes having a maturity of less than one year from the date of issue will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent. See "Subscription and Sale."
Denomination	The Notes will be issued in minimum denominations equal to or greater than €1,000 as indicated in the relevant Pricing Supplement, or such greater minimum denomination as may be required from time to time by then current laws, regulations, directives and/or central bank requirements. Integral multiples will be as set out in the relevant Pricing Supplement.
Fixed Interest Rate Notes	Fixed interest will be payable in arrear on the date or dates in each year specified in the relevant Pricing Supplement.
Floating Rate Notes	Floating Rate Notes will bear interest set separately for each Series by reference to LIBOR, LIBID or LIMEAN (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin. Interest periods will be specified in the relevant Pricing Supplement.
Zero Coupon Notes......................	Zero Coupon Notes may be issued at their principal amount or at a discount to it and will not bear interest.
Variable Coupon Amount Notes ..	The Pricing Supplement issued in respect of each issue of variable coupon amount Notes will specify the basis for calculating the amounts of interest payable, which may be by reference to a stock index or formula or as otherwise provided in the relevant Pricing Supplement.
Interest Periods and Interest Rates	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.
Variable Redemption Amount	

Notes..	The Pricing Supplement issued in respect of each issue of variable redemption amount Notes will specify the basis for calculating the redemption amounts payable, which may be by reference to a stock index or formula or as otherwise provided in the relevant Pricing Supplement.
Redemption by Instalments	The Pricing Supplement issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.
Other Notes..................................	Terms applicable to high interest Notes, low interest Notes, step-up Notes, step-down Notes, dual currency Notes, reverse dual currency Notes, optional dual currency Notes and any other type of Note that the Issuer and any Dealer or Dealers may agree to issue under the Programme will be set out in the relevant Pricing Supplement.
Optional Redemption....................	The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
Status of Notes..............................	The Notes will constitute unsecured and unsubordinated obligations of the Issuer, as described in "Terms and Conditions of the Notes — Status".
Negative Pledge............................	See "Terms and Conditions of the Notes—Negative Pledge".
Cross Default	See "Terms and Conditions of the Notes—Events of Default".
Early Redemption	Except as provided in "Optional Redemption" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "Terms and Conditions of the Notes—Redemption, Purchase and Options".
Withholding Tax...........................	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of Korea, subject to customary exceptions, all as described in "Terms and Conditions of the Notes—Taxation".
Governing Law	English law.
Listing...	Approval in-principle has been received from the Singapore Stock Exchange in connection with the Programme and application will be made for the listing and quotation of Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the Singapore Stock Exchange. For so long as any Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, such Notes will be traded on the Singapore Stock Exchange in a minimum board lot size of S$200,000 or its equivalent in foreign currencies. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. Unlisted Notes may also be issued. The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed or admitted to trading and, if so, on which stock exchange(s).

Selling Restrictions......................	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, European Economic Area, United Kingdom, Korea, France, Japan, Hong Kong, Singapore, The Netherlands and Switzerland, see "Subscription and Sale". The Notes will be issued in compliance with U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**D Rules**") unless the Notes are issued other than in compliance with the D Rules but in circumstances in which the Notes will comply with the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Pricing Supplement as a transaction to which TEFRA is not applicable.

TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, will be attached to each Global Note or Global Certificate together with the relevant Pricing Supplement and which (subject to simplification by the deletion of non-applicable provisions), shall be endorsed on Bearer Notes or on the Certificates relating to Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "**Notes**" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.*

The Notes are issued pursuant to an amended and restated issue and paying agency agreement (as amended or supplemented as at the date of issue of the Notes (the "**Issue Date**"), the "**Agency Agreement**") dated 13 May 2016 among the Issuer, Deutsche Bank AG, London Branch as fiscal agent and the other agents named in it and with the benefit of a Deed of Covenant (as amended or supplemented as at the Issue Date, the "**Deed of Covenant**") dated 13 May 2016 executed by the Issuer in relation to the Notes. The fiscal agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the "**Fiscal Agent**", the "**Paying Agents**" (which expression shall include the Fiscal Agent), the "**Registrar**", the "**Transfer Agents**" and the "**Calculation Agent(s)**". The Noteholders (as defined below), the holders of the interest coupons (the "**Coupons**") appertaining to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Notes in bearer form of which the principal is payable in instalments are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

Copies of the Agency Agreement and the Deed of Covenant are available for inspection at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents.

1. Form, Denomination and Title

The Notes are issued in bearer form ("**Bearer Notes**", which expression includes Notes that are specified to be Exchangeable Bearer Notes), in registered form ("**Registered Notes**") or in bearer form exchangeable for Registered Notes ("**Exchangeable Bearer Notes**") in each case in the denomination(s) shown thereon.

The Notes will be issued in minimum denominations equal to or greater than €1,000 as indicated in the relevant Pricing Supplement, or such greater minimum denomination as may be required from time to time by then current laws, regulations, directives and/or central bank requirements. Integral multiples will be as set out in the relevant Pricing Supplement.

All Registered Notes shall have the same minimum denominations. Integral multiples for Registered Notes will be as set out in the relevant Pricing Supplement. Where Exchangeable Bearer Notes are issued, the Registered Notes for which they are exchangeable shall have the same denomination as the lowest denomination of Exchangeable Bearer Notes.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Notes that do not bear interest in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Any Bearer Note the principal amount of which is redeemable in instalments is issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. Exchanges of Exchangeable Bearer Notes and Transfers of Registered Notes

(a) *Exchange of Exchangeable Bearer Notes*: Subject as provided in Condition 2(f), Exchangeable Bearer Notes may be exchanged for the same aggregate principal amount of Registered Notes at the request in writing of the relevant Noteholder and upon surrender of each Exchangeable Bearer Note to be exchanged, together with all unmatured Receipts, Coupons and Talons relating to it, at the specified office of any Transfer Agent; provided, however, that where an Exchangeable Bearer Note is surrendered for exchange after the Record Date (as defined in Condition 7(b)) for any payment of interest, the Coupon in respect of that payment of interest need not be surrendered with it. Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one denomination may not be exchanged for Bearer Notes of another denomination. Bearer Notes that are not Exchangeable Bearer Notes may not be exchanged for Registered Notes.

(b) *Transfer of Registered Notes*: One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor.

(c) *Exercise of Options or Partial Redemption in Respect of Registered Notes*: In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) *Delivery of New Certificates*: Each new Certificate to be issued pursuant to Conditions 2(a), (b) or (c) shall be available for delivery within three business days of receipt of the request for exchange, form of transfer or Exercise Notice or surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition (d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar.

(e) *Exchange Free of Charge*: Exchange and transfer of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(f) *Closed Periods*: No Noteholder may require the transfer of a Registered Note to be registered or an Exchangeable Bearer Note to be exchanged for one or more Registered Note(s) (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(b)). An Exchangeable Bearer Note called for redemption may, however, be exchanged for one or more Registered Note(s) in respect of which the Certificate is simultaneously surrendered not later than the relevant Record Date (as defined in Condition 7(b)).

(g) *Rule 144A Information Furnishing Requirements*: For so long as any of the Registered Notes bearing the Securities Act Legend remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer covenants and agrees that it shall, during any period in which it is not subject to Section 13 or 15(d) under the United States Securities Exchange Act of 1934 nor exempt from reporting pursuant to Rule 12g3-2(b) under such Act, make available to any Noteholder in connection with any sale thereof and any prospective purchaser of such Notes from such Noteholder, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

3. Status

The Notes and the Receipts and Coupons relating to them constitute and will at all times hereafter constitute (subject to Condition 4), direct, unconditional, unsecured and unsubordinated obligations of the Issuer and rank and will rank pari passu among themselves, without any preference one over the other by reason of priority of date of issue or currency of payment or otherwise, and at least equally with all other unsecured and unsubordinated general obligations of the Issuer (subject to certain statutory exceptions under the laws of the Republic of Korea ("**Korea**")).

4. Negative Pledge

So long as any of the Notes, Receipts or Coupons remain outstanding (as defined in the Agency Agreement) neither the Issuer nor any Major 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 Agency Agreement) of Noteholders.

"**Major Subsidiary**" means at any relevant time a subsidiary (as defined in the Agency Agreement) 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 Major Subsidiary.

"**Quoted Indebtedness**" means notes, debentures, bonds or other instruments evidencing indebtedness which (a) either are by their terms payable, or confer a right to receive payment, in any currency other than Won or are denominated in Won and more than 50 per cent. of the aggregate principal amount thereof is initially distributed outside Korea by or with the authorisation of the Issuer and (b) 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 outside Korea.

5. Interest and other Calculations

(a) *Interest Rate and Accrual*: Each Note bears interest on its outstanding principal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Interest Rate, such interest being payable in arrear on each Interest Payment Date.

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Interest Rate in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(b) *Interest Rate on Floating Rate Notes*: If the Interest Rate is specified as being Floating Rate, the Interest Rate for each Interest Accrual Period shall be determined by the Calculation Agent at or about the Relevant Time on the Interest Determination Date in respect of such Interest Accrual Period in accordance with the following:

(i) if the Primary Source for the Floating Rate is a Page, subject as provided below, the Interest Rate shall be:

(x) the Relevant Rate (where such Relevant Rate on such Page is a composite quotation or is customarily supplied by one entity); or

(y) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Page,

in each case appearing on such Page at the Relevant Time on the Interest Determination Date;

(ii) if the Primary Source for the Floating Rate is Reference Banks or if sub-paragraph (i)(x) applies and no Relevant Rate appears on the Page at the Relevant Time on the Interest Determination Date or if sub-paragraph (i)(y) applies and fewer than two Relevant Rates appear on the Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Interest Rate shall be the arithmetic mean of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre at the Relevant Time on the Interest Determination Date, as determined by the Calculation Agent;

(iii) if paragraph (ii) above applies, the Calculation Agent determines that fewer than two Reference Banks are so quoting Relevant Rates, subject as provided below, the Interest Rate shall be the arithmetic mean of the rates per annum (expressed as a percentage) that the Calculation Agent determines to be the rates (being the nearest equivalent to the Benchmark) in respect of a Representative Amount of the Relevant Currency that at least two out of five leading banks selected by the Calculation Agent in the Principal Financial Centre of the country of the Relevant Currency are quoting at or about the Relevant Time on the date on which such banks would customarily quote such rates for a period commencing on the Effective Date for a period equivalent to the Specified Duration (x) to leading banks carrying on business in Europe, or (if the Calculation Agent determines that fewer than two of such banks are so quoting to leading banks in Europe) (y) to leading banks carrying on business in the Principal Financial Centre; except that, if fewer than two of such banks are so quoting to leading banks in the Principal Financial Centre, the Interest Rate shall be the Interest Rate determined on the previous Interest Determination Date (after readjustment for any difference between any Margin, Rate Multiplier or Maximum or Minimum Interest Rate applicable to the preceding Interest Accrual Period and to the relevant Interest Accrual Period);

(iv) if ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Interest Rate is to be determined, the Interest Rate applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which;

(a) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Pricing Supplement;

(b) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Pricing Supplement; and

(c) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Pricing Supplement;

(c) *Interest Rate on Zero Coupon Notes*: Where a Note the Interest Rate of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Redemption Amount of such Note. As from the Maturity Date, the Interest Rate for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as defined in Condition 6(b)).

(d) *Margin, Maximum/Minimum Interest Rates, Instalment Amounts and Redemption Amounts, Rate Multipliers and Rounding*

(i) If any Margin or Rate Multiplier is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Interest Rates, in the case of (x), or the Interest Rates for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with (iii) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin or multiplying by such Rate Multiplier, subject always to the next paragraph;

(ii) If any Maximum or Minimum Interest Rate, Instalment Amount or Redemption Amount is specified hereon, then any Interest Rate, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be;

(iii) For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

(e) *Calculations*: The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Interest Rate and the outstanding principal amount of such Note by the Day Count Fraction, unless an Interest Amount (or a formula for its calculation) is specified in respect of such period, in which case the amount of interest payable in respect of such Note for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

(f) *Determination and Publication of Interest Rates, Interest Amounts, Redemption Amounts and Instalment Amounts*: As soon as practicable after the Relevant Time on each Interest Determination Date or such other time on such date as the Calculation Agent may be required to calculate any Redemption Amount or Instalment Amount, obtain any quote or make any determination or calculation, it shall determine the Interest Rate and calculate the amount of interest payable (the "**Interest Amounts**") in respect of each denomination of the Notes for the relevant Interest Accrual Period, calculate the Redemption Amount or Instalment Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Interest Rate and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system and the rules of such listing authority, stock exchange and/or quotation system so require, such listing authority, stock exchange and/or quotation system as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of an Interest Rate and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Interest Rate payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Interest Rate or the Interest Amount so calculated need be made. The determination of each Interest Rate, Interest Amount, Redemption Amount and Instalment Amount, the obtaining of each quote and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(g) *Definitions*: In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Pricing Supplement.

"**Business Day**" means:

(i) in relation to any sum payable in euro, a TARGET2 Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and

(ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in the Principal Financial Centre of the Relevant Currency and in each (if any) Additional Business Centre.

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Pricing Supplement and, if so specified in the relevant Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

(i) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;

(ii) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;

(iii) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;

(iv) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:

(A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;

(B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and

(C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

(v) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (whether or not constituting an Interest Period, the "**Calculation Period**"):

(i) if "**Actual/Actual (ICMA)**" is so specified, means:

(a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(b) where the Calculation Period is longer than one Regular Period, the sum of:

(A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and

(B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;

(ii) if "**Actual/365**" or "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(iii) if "**Actual/365 (Fixed)**" is so specified, the actual number of days in the Calculation Period divided by 365;

(iv) if "**Actual/360**" is so specified, the actual number of days in the Calculation Period divided by 360;

(v) if "**30/360**" is so specified hereon, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and

(vi) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-

day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

"**Effective Date**" means, with respect to any Floating Rate to be determined on an Interest Determination Date, the date specified as such hereon or, if none is so specified, the first day of the Interest Accrual Period to which such Interest Determination Date relates.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon.

"**Interest Determination Date**" means, with respect to an Interest Rate and Interest Accrual Period, the date specified as such hereon or, if none is so specified, the first day of such Interest Accrual Period if the Relevant Currency is Sterling or the day falling two Business Days in London for the Relevant Currency prior to the first day of such Interest Accrual Period if the Relevant Currency is not Sterling.

"**Interest Payment Date**" means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement and, if a Business Day Convention is specified in the relevant Pricing Supplement:

(i) as the same may be adjusted in accordance with the relevant Business Day Convention; or

(ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case).

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

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon.

"**Interest Rate**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon.

"**ISDA Definitions**" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc.).

"**Page**" means such page, section, caption, column or other part of a particular information service (including, but not limited to, the Reuters Money 3000 Service ("**Reuters**")) as may be specified for the purpose of providing a Relevant Rate, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to that Relevant Rate.

"**Principal Financial Centre**" means, in relation to any currency, the principal financial centre for that currency provided, however, that:

(i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and

(ii) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent.

"**Reference Banks**" means the institutions specified as such hereon or, if none, four (or, if the Relevant Financial Centre is Helsinki, five) major banks selected by the Calculation Agent in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the Benchmark.

"**Regular Period**" means:

(i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;

(ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls; and

(iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "Regular Date" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period .

"**Relevant Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated.

"**Relevant Financial Centre**" means, with respect to any Floating Rate to be determined on an Interest Determination Date, the financial centre as may be specified as such hereon or, if none is so specified, the financial centre with which the relevant Benchmark is most closely connected or, if none is so connected, London.

"**Relevant Rate**" means the Benchmark for a Representative Amount of the Relevant Currency for a period (if applicable or appropriate to the Benchmark) equal to the Specified Duration commencing on the Effective Date.

"**Relevant Time**" means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified hereon or, if none is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Relevant Currency in the interbank market in the Relevant Financial Centre.

"**Representative Amount**" means, with respect to any Floating Rate to be determined on an Interest Determination Date, the amount specified as such hereon or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time.

"**Specified Duration**" means, with respect to any Floating Rate to be determined on an Interest Determination Date, the duration specified hereon or, if none is specified, a period of time equal to the relative Interest Accrual Period, ignoring any adjustment pursuant to Condition 5(b).

"**TARGET2 Settlement Day**" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open.

(h) *Calculation Agent and Reference Banks*: The Issuer shall procure that there shall at all times be four Reference Banks (or such other number as may be required) with offices in the Relevant Financial Centre and one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding (as defined in the Agency Agreement). If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer shall appoint another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Interest Rate for an Interest Period or to calculate any Interest Amount, Instalment Amount or the Redemption Amount or to comply with any other requirement, the Issuer shall appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6. Redemption, Purchase and Options

(a) *Redemption by Instalments and Final Redemption*

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6 or the relevant Instalment Date (being one of the dates so specified hereon) is extended pursuant to any Issuer's or Noteholder's option in accordance with Condition 6(d) or 6(e), each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding principal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the principal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused on presentation of the related Receipt, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below or its maturity is extended pursuant to any Issuer's or Noteholder's option in accordance with Condition 6(d) or 6(e), each Note shall be finally redeemed on the Maturity Date specified hereon at its Redemption Amount (which, unless otherwise provided, is its principal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

(b) *Early Redemption of Zero Coupon Notes*

(i) The Redemption Amount payable in respect of any Note that does not bear interest prior to the Maturity Date, the Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note.

(ii) Subject to the provisions of sub-paragraph (iii) below, the Amortised Face Amount of any such Note shall be the scheduled Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually. Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(iii) If the Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (ii) above, except that such sub-paragraph shall have effect as though the reference therein to the date on which the Note becomes due and payable were replaced by a reference to the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (as well after as before judgment) until the

Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(d).

(c) *Redemption for Taxation 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 Fiscal Agent a certificate signed by two Directors 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.

(d) *Redemption at the Option of the Issuer and Exercise of Issuer's Options*: If so provided hereon, the Issuer may, on giving irrevocable notice to the Noteholders falling within the Issuer's Option Period redeem, or exercise any Issuer's option in relation to, all or, if so provided, some of the Notes in the principal amount or integral multiples thereof and on the date or dates so provided. Any such redemption of Notes shall be at their Redemption Amount together with interest accrued to the date fixed for redemption.

All Notes in respect of which any such notice is given shall be redeemed, or the Issuer's option shall be exercised, on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption or a partial exercise of an Issuer's option, the notice to Noteholders shall also contain the certificate numbers of the Notes to be redeemed or in respect of which such option has been exercised, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and the rules of each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation.

(e) *Redemption at the Option of Noteholders and Exercise of Noteholders' Options*: If so provided hereon, the Issuer shall, at the option of the holder of any such Note, redeem such Note on the date or dates so provided at its Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option or any other Noteholders' option that may be set out hereon the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the Noteholders' Option Period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) *Purchases*: The Issuer and any of its subsidiaries may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price.

(g) *Cancellation*: All Notes purchased by or on behalf of the Issuer or any of its subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7. Payments and Talons

(a) *Bearer Notes*: Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(vi)), as the case may be, at the specified office of any Paying Agent outside the United States by a cheque payable in the currency in which such payment is due drawn on, or, at the option of the holder, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the principal financial centre for that currency (in the case of a Sterling cheque, a town clearing branch of a bank in the City of London).

(b) *Registered Notes*

(i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Register Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below. Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register (i) where in global form, at the close of the business day (being for the purpose a day on which DTC and/or Euroclear and Clearstream, Luxembourg, as applicable, are open for business) preceding the due date for payment thereof and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made in the currency in which such payments are due by cheque (in the case of a Sterling cheque, a town clearing branch of a bank in the City of London) drawn on a bank in the principal financial centre of the country of the currency concerned, subject as provided in paragraph (a) above, and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date and, subject as provided in paragraph (a) above, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank in the principal financial centre of the country of that currency.

(c) *Payments in the United States*: Notwithstanding the foregoing, if any Bearer Notes are denominated in US Dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) *Payments Subject to Fiscal Laws*: All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) *Appointment of Agents*: The Fiscal Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require (v) a Paying Agent and (vi) if and for so long as the Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, a Paying Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in US Dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) *Unmatured Coupons and Receipts and Unexchanged Talons*

(i) Unless the Notes provide that the relative Coupons are to become void upon the due date for redemption of those Notes, Bearer Notes should be surrendered for payment together with all unmatured Coupons (if any) appertaining thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Redemption Amount due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) If the Notes so provide, upon the due date for redemption of any Bearer Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) *Talons*: On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) *Non-Business Days*: If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means any day (other than a Saturday or a Sunday) that is:

(i) (a) if the currency of payment is euro, a TARGET2 Settlement Day or (b) if the currency of payment is not euro, any day which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the Principal Financial Centre of the currency of payment; and

(ii) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in: (a) the relevant place of presentation (in the case of Notes in definitive form) and (b) any Additional Financial Centre specified in the relevant Pricing Supplement.

(i) Definitions: In these Conditions, unless the context otherwise requires, "Additional Financial Centre(s)" means the city or cities specified as such in the relevant Pricing Supplement.

8. Taxation

All payments of principal and interest in respect of the Notes, the Receipts and the Coupons 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 as shall result in receipt by the Noteholders and the Couponholders 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 any Note, Receipt or Coupon:

(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 Note, Receipt or Coupon by reason of his having some connection with Korea other than the mere holding of the Note, Receipt or Coupon; or

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

(c) 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 relevant Note (or the Certificate representing it), Receipt or Coupon is presented for payment; or

(d) presented (or in respect of which the 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**" in respect of any Note, Receipt or Coupon 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 Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "principal" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it; (ii) "interest" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it; and (iii) "principal" and/or "interest" shall be deemed to include any additional amounts that may be payable under this Condition.

9. Prescription

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within five years (in the case of principal) or three years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. Events of Default

If any of the following events ("**Events of Default**") occurs and is continuing, the holder of any Note may give written notice to the Fiscal Agent at its specified office that such Note is immediately repayable, whereupon the Redemption Amount of such Note together with accrued interest to the date of payment shall become immediately due and payable without any further formality:

(i) *Non-Payment*: the Issuer fails to pay the interest or principal on any 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 which default is incapable of remedy or is not remedied within 30 days after notice of such default shall have been given to the Issuer by any Noteholder; 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 Major Subsidiaries shall become prematurely repayable following a default, or steps are taken to enforce any security therefor, or the Issuer or any of its Major 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 Major 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 Major 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 Major 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 Major Subsidiaries or of the whole or any part of the undertaking, property, assets or revenues of the Issuer or any of its Major 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 Major 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 Major 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 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 (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. No periodic evidence is required to be furnished by the Issuer as to the absence of Events of Default.

11. Meeting of Noteholders and Modifications

(a) *Meetings of Noteholders*: The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes; (ii) to reduce or cancel the principal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes; (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes; (iv) if a Minimum and/or a Maximum Interest Rate, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum; (v) to vary any method of, or basis for, calculating the Redemption Amount, including the method of calculating the Amortised Face Amount; (vi) to vary the currency or currencies of payment or denomination of the Notes; (vii) to take any steps that as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply; or (viii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

(b) *Modification of Agency Agreement*: The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.

12. Replacement of Notes, Certificates, Receipts, Coupons and Talons

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws and listing authority, stock exchange and/or quotation system regulations, at the specified office of the Fiscal Agent (and, if the Notes are then admitted to listing, trading and/or quotations by any listing authority, stock exchange and/or quotation system (which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its specified office in the place required by such listing authority, stock exchange and/or quotation system) (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, inter alia, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes (so that, for the avoidance of doubt, references in the conditions of such Notes to "Issue Date" shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to "Notes" shall be construed accordingly; provided, however, that any further notes that have the same CUSIP, ISIN or other identifying number as the original Notes shall be issued either in a ''qualified reopening'' for U.S. federal income tax purposes or otherwise as part of the same ''issue'' for U.S. federal income tax purposes.

14. Notices

All notices regarding the Bearer Notes will be deemed to be validly given if published (i) in a leading English language daily newspaper of general circulation in London, and (ii) for so long as the Bearer Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, in a daily newspaper of general circulation in Singapore. It is expected that such publication will be made in the *Financial Times* in London and the *Business Times* in Singapore. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange (or any other relevant authority) on which the Bearer Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or DTC, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or DTC for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, such notice will be published in a manner specified by those rules. Any such notice shall be deemed to have been given to the holders of the Notes one day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or DTC.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Fiscal Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Fiscal Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, in such manner as the Fiscal Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, may approve for this purpose.

15. Currency Indemnity

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgment or order.

16. Redenomination, Renominalisation and Reconventioning

(a) *Application*: This Condition 16 (Redenomination, Renominalisation and Reconventioning) is applicable to the Notes only if it is specified in the relevant Pricing Supplement as being applicable.

(b) *Notice of redenomination*: If the country of the Specified Currency becomes or, announces its intention to become, a Participating Member State, the Issuer may, without the consent of the Noteholders and Couponholders, on giving at least 30 days' prior notice to the Noteholders and the Paying Agents, designate a date (the "**Redenomination Date**"), being an Interest Payment Date under the Notes falling on or after the date on which such country becomes a Participating Member State.

(c) *Redenomination*: Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:

(i) the Notes shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a principal amount for each Note equal to the principal amount of that Note in the Specified Currency, converted into euro at the rate for conversion of such currency into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); provided, however, that, if the Issuer determines, with the agreement of the Fiscal Agent then market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders and Couponholders, each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the Paying Agents of such deemed amendments;

(ii) if Notes have been issued in definitive form:

(A) all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date (the "**Euro Exchange Date**") on which the Issuer gives notice (the "**Euro Exchange Notice**") to the Noteholders that replacement Notes and Coupons denominated in euro are available for exchange (provided that such Notes and Coupons are available) and no payments will be made in respect thereof;

(B) the payment obligations contained in all Notes denominated in the Specified Currency will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 16) shall remain in full force and effect; and

(C) new Notes and Coupons denominated in euro will be issued in exchange for Notes and Coupons denominated in the Specified Currency in such manner as the Fiscal Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice; and

(iii) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as the Specified Currency ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by cheque drawn on, or by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Member State of the European Communities.

(d) *Interest*: Following redenomination of the Notes pursuant to this Condition 16, where Notes have been issued in definitive form, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of the Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder.

(e) *Interest Determination Date*: If the Floating Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable and Page determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, with effect from the Redenomination Date the Interest Determination Date shall be deemed to be the second TARGET2 Settlement Day before the first day of the relevant Interest Period.

(f) *Definitions*: In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Specified Currency**" has the meaning given in the relevant Pricing Supplement.

"**Participating Member State**" means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty.

"**Treaty**" means the Treaty establishing the European Communities as amended.

17. Governing Law and Jurisdiction

(a) *Governing Law*: The Notes are and all matters, disputes, claims or non-contractual obligations arising from or connected with the Notes are governed by, and shall be construed in accordance with, English law.

(b) *Jurisdiction*: The Courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising from or connected with Notes.

(c) *Appropriate forum*: The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(d) *Rights of the Noteholders to take proceedings outside England*: Condition 17(b) (Jurisdiction) is for the benefit of the Noteholders only. As a result, nothing in this Condition 17 (Governing law and jurisdiction) prevents any Noteholder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

(e) *Service of process*: The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Kexim Bank (UK) Limited at 3rd Floor, Moorgate Hall, 155 Moorgate, London EC2M 6XB, United Kingdom or at any address of The Export-Import Bank of Korea in Great Britain at which service of process may be served on it in accordance with Part XXIII of the Companies Act 1985. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

(f) *Consent to enforcement etc.*: The Issuer consents generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which is made or given in such Proceedings.

(g) *Waiver of immunity*: To the extent that the Issuer may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or revenues, the Issuer agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

FORM OF PRICING SUPPLEMENT

The Pricing Supplement in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Pricing Supplement but denotes directions for completing the Pricing Supplement.

Pricing Supplement dated [●]

The Export-Import Bank of Korea
Issue of [Aggregate Nominal Amount of Tranche][Title of Notes]
under the US$25,000,000,000
Global Medium Term Note Programme

[THE NOTES TO WHICH THIS PRICING SUPPLEMENT RELATES HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, UNLESS SO REGISTERED, 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 UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, THE NOTES WILL BE OFFERED AND SOLD ONLY (I) OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S AND (II) WITH RESPECT TO NOTES IN REGISTERED FORM ONLY, WITHIN THE UNITED STATES IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED UNDER RULE 144A).][1]

[IN CONNECTION WITH THIS ISSUE, THE STABILISING MANAGER[S] (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISING MANAGER) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE ISSUE DATE. HOWEVER, THERE MAY BE NO OBLIGATION ON THE STABILISING MANAGER[S] (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISING MANAGER) TO DO THIS. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SUCH STABILISING SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.]

1 To be inserted in respect of an issue of Notes to qualified institutional buyers pursuant to Rule 144A.

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. The terms and conditions of the Notes (the "**Conditions**") shall consist of the terms and conditions set out in the offering circular dated 12 May 2017 as amended and supplemented from time to time by the Issuer (the "**Offering Circular**") and as amended and supplemented below. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular. This Pricing Supplement must be read in conjunction with the Offering Circular.

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

1.	Issuer:		The Export-Import Bank of Korea
2.	[(i)	[Series Number:]	[ ]
	[ii]	[Tranche Number:(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]	[ ]
3.	Specified Currency or Currencies:		[ ]
4.	Aggregate Nominal Amount:		
	[(i)]	[Series:]	[ ]
	[(ii)	[Tranche:	[ ]]
5.	[(i)]	Issue Price:	[ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
	[(ii)	Net proceeds:	[ ] (Required only for listed issues)]
6.	Specified Denominations:		[ ][2] [ ]
7.	[(i)]	Issue Date:	[ ]
	[(ii)	Interest Commencement Date (if different from the Issue Date):	[ ]]
8.	Maturity Date:		*[specify date or (for Floating Rate Notes or any other Notes for which the Interest Period end date(s) are adjusted) Interest Payment Date falling in the relevant month and year]* *If the Maturity Date is earlier than the first anniversary of the Issue Date and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" or (ii) another applicable exemption from section 19 of the FSMA must be available.*
9.	Interest Basis:		[● per cent. Fixed Rate] [[specify reference rate] +/- ● per cent. Floating Rate]

2 If the issue proceeds are received by the Issuer in the United Kingdom and the Maturity Date is earlier than the first anniversary of the Issue Date, the Notes must have a minimum denomination of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" (or another applicable exemption from section 19 of the Financial Services and Markets Act 2000 must be available).

			[Zero Coupon] [Other (specify)] (further particulars specified below)
10.	Redemption/Payment Basis:		[Redemption at par] [Dual Currency] [Instalment] [Other (specify)]
11.	Change of Interest or Redemption/Payment Basis:		[*Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis*]
12.	Put/Call Options:		[Investor Put] [Issuer Call] [(further particulars specified below)]
13.	Listing:		[Application has been made for the Notes to be listed on the Singapore Exchange Securities Trading Limited/other (*specify*)/None]
14.	Method of distribution:		[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15.	Fixed Rate Note/Variable Coupon Amount Note Provisions		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Rate[(s)] of Interest:	[ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii)	Interest Payment Date(s):	[ ] in each year
	(iii)	Fixed Coupon Amount[(s)]:	[ ] [per Note of [ ] Specified Denomination and [ ] per Note of [ ] Specified Denomination]
	(iv)	Day Count Fraction:	[30/360]/[Actual/Actual (ICMA)]/[*If neither of these options applies, give details*]
	(v)	Broken Amount(s):	[*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]*]
	(vi)	Other terms relating to the method of calculating interest for Fixed Rate/ Variable Coupon Amount Notes:	[Not Applicable/give details] (*Consider if day count fraction, particularly for Euro denominated issues, should be on an Actual/Actual (ICMA) basis. Also consider what should happen to unmatured Coupons in the event of early redemption of the Notes.*)
16.	Floating Rate Note Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph. Also consider whether EURO BBA LIBOR or EURIBOR is the appropriate reference rate*)
	(i)	Specified Period(s)/Specified Interest Payment Dates:	[ ]
	(ii)	Business Day Convention:	[Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (*give details*)]
	(iii)	Additional Business Centre(s):	[Not Applicable/*give details*]

(iv)	Primary Source for Floating Rate:	[Page/Reference Banks/ISDA Determination]
(v)	Party responsible for calculating the Interest Rate and Interest Amount(s) (if not the Fiscal Agent):	[[*Name*] shall be the Calculation Agent (*no need to specify if the Fiscal Agent is to perform this function*)]
(vi)	Page determination:	
	- Reference Rate:	[ ] *(Either LIBOR, EURIBOR or other, although additional information is required if other — including fallback provisions in the Agency Agreement)*
	- Relevant Screen Page:	[ ] *(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
	- Interest Determination Date(s):	[ ] *(Second London business day prior to the start of each Interest Period if LIBOR (other than sterling or euro LIBOR), first day of each Interest Period if sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
	- Relevant Time:	[*For example, 11:00 a.m. London time*]
	- Relevant Financial Centre:	[*For example, London/Euro-zone (where Euro-zone means the region comprised of member states of the European Union that adopt the single currency euro in accordance with the Treaty establishing the European Community as amended by the Treaty on European Union and the Treaty of Amsterdam*)]
(vii)	Reference Banks determination:	[Specify four]
(viii)	ISDA Determination:	
	- Floating Rate Option:	[ ]
	- Designated Maturity:	[ ]
	- Reset Date:	[ ]
(ix)	Representative Amount	[Specify if page or Reference Bank quotes are to be given in respect of a transaction of a specified notional amount]
(x)	Relevant Currency:	[Specify if not currency of denomination]
(xi)	Effective Date:	[Specify if quotes are not to be obtained with effect from commencement of Interest Period]
(xii)	Specified Duration:	[Specify period for quote, if not duration of Interest Period]
(xiii)	Margin(s):	[+/-][ ] per cent., per annum
(xiv)	Minimum Interest Rate:	[ ] per cent. per annum
(xv)	Maximum Interest Rate:	[ ] per cent. per annum
(xvi)	Rate Multiplier (if applicable):	[ ]
(xvii)	Day Count Fraction:	[ ]
(xviii)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[ ]

17. Zero Coupon Note Provisions [Applicable/Not Applicable]

			(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Amortisation Yield:	[ ] per cent. per annum
	(ii)	Any other formula/basis of determining amount payable:	[*Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition 6(b)(ii)*]
18.	Dual Currency Note Provisions		[Applicable/Not Applicable]
			(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate of exchange/method of calculating Rate of exchange:	[*Give details*]
	(ii)	Calculation Agent, if any, responsible for calculating the principal and/or interest due:	[ ]
	(iii)	Provisions applicable where calculation by reference to rate of exchange impossible or impracticable:	[ ]
	(iv)	Person at whose option Specified Currency(ies) is/are payable:	[ ]

PROVISIONS RELATING TO REDEMPTION

19.	Call Option		[Applicable/Not Applicable]
			(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Issuer's Option Period (Call):	[ ]
	(ii)	Redemption Amount(s) (Call) and method, if any, of calculation of such amount(s):	[ ]
	(iii)	If redeemable in part:	
		(a) Minimum Redemption/ Instalment Amount:	[ ]
		(b) Maximum Redemption/ Instalment Amount:	[ ]
	(iv)	Notice period (if other than as set out in the Conditions):	[ ] *(a minimum of 5 business days' notice required)*
20.	Put Option		[Applicable/Not Applicable]
			(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Noteholders' Option Period:	[ ]
	(ii)	Redemption Amount(s) and method, if any, of calculation of such amount(s):	
	(iii)	Notice period (if other than as set out in the Conditions):	[ ] *(a minimum of 15 business days' notice required)*
21.	Redemption Amount (at maturity):		[Par/other/see Appendix]

22.	Redemption for Taxation Reasons		
	(i)	Redemption for Taxation Reasons permitted on days other than Interest Payment Dates:	[Yes/No]
	(ii)	Redemption Amount(s) payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions):	[Not Applicable (*if both the Redemption Amount payable on redemption for taxation reasons and on event of default are the principal amount of the Notes/specify if different from the principal amount of the Notes*)]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

23.	Form of Notes:	[Bearer Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [ ] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.] [Temporary Global Note exchangeable for Definitive Notes on [ ] days' notice.] [Permanent Global Note exchangeable for Definitive Notes on [ ] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]]. [Exchangeable Bearer/Registered] [Registered Notes]
24.	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/*give details. Note that this paragraph relates to the place of payment, and not interest period end dates, to which sub-paragraph 16(iii) relates*]
25.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
26.	Details relating to Instalment Notes: Instalment Date(s); Instalment Amount(s):	[Not Applicable/*give details*]
27.	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions [in Condition 16 (*Redenomination, Renominalisation and Reconventioning*)] [annexed to this Pricing Supplement] apply]
28.	Consolidation provisions:	[Not Applicable/The provisions [in Condition 13 (*Further Issues*)] [annexed to this Pricing Supplement] apply]
29.	Other terms or special conditions:	[Not Applicable/*give details*]

DISTRIBUTION

30.	(i)	If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii)	Stabilising Manager[s] (if any):	[Not Applicable/*give name*]
31.	If non-syndicated, name of Dealer:		[Not Applicable/*give name*]
32	U.S. Selling Restrictions		[Regulation S Cat. 2/Rule 144A]
33.	TEFRA:		[Not Applicable/The [C/D] Rules are applicable]

34.	Additional selling restrictions:	[Not Applicable/*give details*]

OPERATIONAL INFORMATION

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

[**LISTING APPLICATION**

This Pricing Supplement comprises the details required to list the issue of Notes described herein pursuant to the US$25,000,000,000 Global Medium Term Note Programme of The Export-Import Bank of Korea.]

RESPONSIBILITY

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

Signed on behalf of the Issuer:

By: ________________________

Duly authorised

FORM OF NOTES AND TRANSFER RESTRICTIONS

Initial Issue of Notes

Upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") or registration of Registered Notes in the name of any nominee for Euroclear, Clearstream, Luxembourg and/or DTC and delivery of the relative Global Certificate to the Common Depositary and/or a custodian for DTC (the "**Custodian**"), Euroclear, Clearstream, Luxembourg or DTC (as the case may be) will credit each subscriber with a principal amount of Notes equal to the principal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary or the Custodian may (if indicated in the relevant Pricing Supplement) also be credited to the accounts of other clearing systems through direct or indirect accounts with Euroclear, Clearstream, Luxembourg and DTC held by other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg, DTC or other clearing systems.

Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, DTC or any other clearing system as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg, DTC or such clearing system (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, DTC or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

Exchange

1. *Temporary Global Notes*: Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date (as defined below):

    (i) if the relevant Pricing Supplement indicates that such Global Note is issued in a transaction to which TEFRA is not applicable (as to which, see "Summary of the Programme-Selling Restrictions"), in whole, but not in part, for the Definitive Notes defined and described below; and

    (ii) otherwise, in whole or in part, upon certification as to non-US beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

Each temporary Global Note that is also an Exchangeable Bearer Note will be exchangeable for Registered Notes in accordance with the Conditions (as defined herein) in addition to any permanent Global Note or Definitive Notes for which it may be exchangeable and, before its Exchange Date, will also be exchangeable in whole or in part for Registered Notes only.

2. *Permanent Global Notes*: Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under "Partial Exchange of Permanent Global Notes" below, in part for Definitive Notes or, in the case of (iii) below, Registered Notes:

    (i) unless principal in respect of any Notes is not paid when due, by the Issuer giving notice to the Noteholders and the Fiscal Agent of its intention to effect such exchange;

(ii) if the relevant Pricing Supplement provides that such Global Note is exchangeable at the request of the holder, by the holder giving notice to the Fiscal Agent of its election for such exchange;

(iii) if the permanent Global Note is an Exchangeable Bearer Note, by the holder giving notice to the Fiscal Agent of its election to exchange the whole or a part of such Global Note for Registered Notes; and

(iv) otherwise, (1) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**") and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so or (2) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Fiscal Agent of its election for such exchange.

3. *Partial Exchange of Permanent Global Notes*: For so long as a permanent Global Note is held on behalf of a clearing system and that clearing system so permits, such permanent Global Note will be exchangeable in part on one or more occasions (1) for Registered Notes if the permanent Global Note is an Exchangeable Bearer Note and the part submitted for exchange is to be exchanged for Registered Notes, or (2) for Definitive Notes if principal in respect of any Notes is not paid when due.

4. *Delivery of Notes*: On or after any due date for exchange the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate principal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or Registered Notes, deliver, or procure the delivery of, an equal aggregate principal amount in integral multiples of the Specified Denomination of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be. In this Offering Circular, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes. For so long as the Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, in the event that a permanent Global Note is exchanged for Definitive Notes, the Issuer will appoint and maintain a Paying Agent in Singapore (the "**Singapore Paying Agent**") (unless the Issuer obtains an exemption from the Singapore Stock Exchange) where the Definitive Notes may be presented or surrendered for payment or redemption. In addition, in the event that a permanent Global Note is exchanged for Definitive Notes, an announcement of such exchange shall be made by the Issuer or on the Issuer's behalf through the Singapore Stock Exchange and such announcement will include all material information with respect to the delivery of the Definitive Notes, including details of the Singapore Paying Agent. If a Global Note is exchangeable for Definitive Notes at the option of the Noteholders / other than in the limited circumstances, the Notes shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination).

5. Exchange Date: "**Exchange Date**" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its Issue Date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

The Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Circular (the "**Conditions**"). The following is a summary of certain of those provisions:

1. *Payments*: No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes or Registered Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-US beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes.

2. *Prescription*: Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of five years (in the case of principal) and three years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

3. *Meetings*: The holder of a permanent Global Note or a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each minimum denomination of Notes for which such Global Note may be exchanged.

4. *Cancellation*: Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the principal amount of the relevant permanent Global Note.

5. *Purchase*: Notes represented by a permanent Global Note may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

6. *Issuer's Option*: Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg or other relevant clearing system (as the case may be).

7. *Noteholders' Options*: Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Fiscal Agent within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the principal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent, for notation.

8. *Events of Default*: Each Global Note provides that the holder may cause such Global Note, or a portion of it, to become due and repayable in the circumstances described in Condition 10 by stating in the notice to the Fiscal Agent the principal amount of such Global Note that is becoming due and repayable. If principal in respect of any Note is not paid when due, the holder of a Global Note or Registered Notes represented by an Unrestricted Global Certificate may elect for direct enforcement rights against the Issuer under the terms of a Deed of Covenant executed as a deed by the Issuer on 13 May 2016 to come into effect in relation to the whole or a part of such Global Note or one or more Registered Notes in favour of the persons entitled to such part of such Global Note or such Registered Notes, as the case may be, as accountholders with a clearing system. Following any such acquisition of direct rights, the Global Note or, as the case may be, the Unrestricted Global Certificate and the corresponding entry in the register kept by the Registrar will become void as to the specified portion or Registered Notes, as the case may be. However, no such election may be made in respect of Notes represented by a Global Certificate unless the transfer of the whole or a part of the holding of Notes represented by that Global Certificate shall have been improperly withheld or refused.

9. *Notices*: So long as any Notes are represented by a Global Note and/or a Global Certificate, as the case may be, and such Global Note and/or Global Certificate, as the case may be, is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication and/or mailing, as the case may be, as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note and/or the Global Certificate, as the case may be, except that, in addition, for so long as any Notes are listed on a stock exchange and the rules of that stock exchange (or any other relevant authority) so require, notices relating to such Notes shall also be published in a daily newspaper of general circulation in the place or places required by those rules.

10. *Redenomination*: If the Notes are redenominated pursuant to Condition 16 (*Redenomination, Renominalisation and Reconventioning*), then following redenomination:

(a) if Definitive Notes are required to be issued, they shall be issued at the expense of the Issuer in the denominations of euro 0.01, euro 1,000, euro 10,000, euro 100,000 and such other denominations as the Fiscal Agent shall determine and notify to the Noteholders; and

(b) the amount of interest due in respect of Notes represented by a Permanent Global Note and/or a Temporary Global Note will be calculated by reference to the aggregate principal amount of such Notes and the amount of such payment shall be rounded down to the nearest euro 0.01.

Form of Registered Notes

Registered Notes offered and sold outside the United States to non-US persons in reliance on Regulation S will be represented by interests in an Unrestricted Global Certificate, in registered form, without interest coupons attached, which will be deposited on or about the Issue Date with, and registered in the name of BT Globenet Nominees Limited, as nominee for, the Common Depositary. A beneficial interest in the Unrestricted Global Certificate may at all times be held only through Euroclear and Clearstream, Luxembourg.

Registered Notes offered and sold within the United States to qualified institutional buyers in reliance on Rule 144A will be represented by interests in a Restricted Global Certificate, in registered form, without interest coupons attached, which will be registered in the name of Cede & Co., as nominee for, and which will be deposited on or about the Issue Date with Deutsche Bank Trust Company Americas as the Custodian for, DTC. The Restricted Global Certificate (and any definitive Registered Notes issued in exchange therefor) will be subject to certain restrictions on transfer contained in a legend appearing on the face of such Note.

Each Unrestricted Global Certificate will have an ISIN and each Restricted Global Certificate will have a CUSIP number.

Transfer Restriction in respect of Registered Notes

On or prior to the 40th day after the Issue Date, a beneficial interest in the Unrestricted Global Certificate may be transferred to a person who wishes to take delivery of such beneficial interest through the Restricted Global

Certificate only upon receipt by the Registrar of a written certification from the transferee (in the applicable form provided in the Agency Agreement) to the effect that such transfer is being made to a person who is a qualified institutional buyer within the meaning of Rule 144A, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. After such 40th day, such certification requirements will no longer apply to such transfers.

A beneficial interest in the Restricted Global Certificate may also be transferred to a person who wishes to take delivery of such beneficial interest through the Unrestricted Global Certificate only upon receipt by the Registrar of a written certification from the transferor (in the applicable form provided in the Agency Agreement) to the effect that such transfer is being made in accordance with Regulation S.

Any beneficial interest in either the Restricted Global Certificate or the Unrestricted Global Certificate that is transferred to a person who takes delivery in the form of a beneficial interest in the other Global Certificate will, upon transfer, cease to be a beneficial interest in such Global Certificate and become a beneficial interest in the other Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to a beneficial interest in such other Global Certificate for so long as such person retains such an interest.

Each person purchasing Notes from a Dealer or its affiliate (the "**Vendor**") acknowledges that (i) it has not relied on the Vendor in connection with its investigation of the accuracy of the information contained in this Offering Circular or its investment decision and (ii) no person has been authorised to give any information or to make any representation concerning the Issuer or the Notes other than those contained in this Offering Circular, and, if given or made, such other information or representation should not be relied upon as having been authorised by the Issuer or the Vendor. This Offering Circular has been prepared by the Issuer solely for use in connection with the offer and sale of the Notes outside the United States to non-US persons and for resales of the Notes to qualified institutional buyers (within the meaning of Rule 144A) in the United States and for the listing of the Notes on the Singapore Stock Exchange. The Issuer and the Vendor reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the number of Notes which may be offered pursuant to Rule 144A, if any. This Offering Circular does not constitute an offer to any person in the United States or to any US person other than a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act to whom an offer has been made directly by the Vendor.

Each prospective purchaser of Notes offered in reliance on Rule 144A (a "**144A Offeree**"), by accepting delivery of this Offering Circular, will be deemed to have represented and agreed with respect to such Notes as follows:

(1) such 144A Offeree acknowledges that this Offering Circular is personal to such 144A Offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes other than pursuant to Rule 144A or in offshore transactions in accordance with Regulation S. Distribution of this Offering Circular, or disclosure of any of its contents to any person other than such 144A Offeree and those persons, if any, retained to advise such 144A Offeree with respect thereto and other persons meeting the requirements of Rule 144A or Regulation S is unauthorised, and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited; and

(2) such 144A Offeree agrees to make no photocopies of this Offering Circular or any documents referred to herein and, if such 144A Offeree does not purchase Notes or the offering is terminated, to return this Offering Circular and all documents referred to herein to the Vendor.

Because of the following restrictions, purchasers of Notes offered in the United States in reliance on Rule 144A are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

Each purchaser of Notes offered in reliance on Rule 144A will be deemed to have represented, agreed and acknowledged as follows (terms used herein that are defined in Rule 144A are used herein as defined therein):

(i) The purchaser is (A) a qualified institutional buyer within the meaning of Rule 144A ("**QIB**"), (B) acquiring such Notes for its own account or for the account of a QIB and (C) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A

(ii) The purchaser understands that the Notes are being offered only in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that the Notes have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except in accordance with the legend set forth below.

(iii) The Restricted Global Certificate will bear a legend to the following effect, unless the Issuer and holder thereof agree otherwise in accordance with applicable law:

"THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR ANY SECURITIES LAW OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT THE NOTES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (4) TO THE ISSUER OR ITS AFFILIATES".

(iv) The Issuer, the Registrar and the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Notes for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

(v) It understands that the Notes offered in reliance on Rule 144A will be represented by the Restricted Global Certificate. Before any interest in the Restricted Global Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provision of Section 5 of the Securities Act provided by Rule 144A.

Exchange of Interests in Global Certificates

Registration of title to Notes initially represented by a Restricted Global Certificate in a name other than DTC or a successor depositary or one of their respective nominees will not be permitted unless (i) DTC or such successor depositary notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Restricted Global Certificate or ceases to be a "clearing agency" registered under the Exchange Act), or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of such depositary, (ii) principal in respect of any Notes is not paid when due (provided that the rules of DTC so permit) or (iii) the relevant Pricing Supplement specifies that the Restricted Global Certificate is exchangeable for definitive Registered Notes, and in any such case the Fiscal Agent has received a notice from the registered holder of the Restricted Global Certificate requesting exchange of the Restricted Global Certificate in full for individual definitive certificates (the "**Certificates**").

Registration of title to Notes initially represented by an Unrestricted Global Certificate in a name other than the nominee of the Common Depositary will not be permitted unless (i) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business, (ii) principal in respect of any Notes is not paid when due (provided that the rules of Euroclear and Clearstream, Luxembourg so permit) or (iii) the relevant Pricing Supplement specifies that the Unrestricted Global Certificate is exchangeable for definitive Registered Notes, and in any such case the Registrar or any Transfer Agent has received a notice from the registered holder of specified amount of the Unrestricted Global Certificate requesting exchange of the Unrestricted Global Certificate for individual Certificates.

In such circumstance, the relevant Global Certificate shall be exchanged in full or in part, as the case may be, for Certificates and the Issuer will, at the cost of the Issuer (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders in integral multiples of the Specified Denomination. A person having an interest in a Global Certificate must provide the Registrar with (i) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Certificates and (ii) in the case of the Unrestricted Global Certificate on or prior to the 40th day after the Issue Date, or in the case of the Restricted Global Certificate, a fully completed, signed certificate substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale, that the transfer is being made in compliance with the provisions of Rule 144A or Regulation S, as the case may be. Certificates issued in exchange for a beneficial interest in the Restricted Global Certificate shall bear the legends applicable to transfers pursuant to Rule 144A, as set out under "— Transfer Restrictions in respect of Registered Notes". For so long as the Notes are listed on the Singapore Stock Exchange and the rules of the Singapore Stock Exchange so require, in the event that a Global Certificate is exchanged for Certificates, the Issuer will appoint and maintain a paying agent in Singapore (unless the Issuer obtains an exemption from the Singapore Stock Exchange) where the Certificates may be presented or surrendered for payment or redemption. In addition, in the event that a Global Certificate is exchanged for Certificates, an announcement of such exchange shall be made by the Issuer or on the Issuer's behalf through the Singapore Stock Exchange and such announcement will include all material information with respect to the delivery of the Certificates, including details of the Singapore Paying Agent.

The holder of a Registered Note may transfer such Registered Note in accordance with the provisions of Condition 2. Certificates may not be eligible for trading in the clearing system.

Upon the transfer, exchange or replacement of a Certificate bearing the Rule 144A legend referred to under "Transfer Restrictions in respect of Registered Notes", or upon specific request for removal of the Rule 144A legend on a Certificate, the Issuer will deliver only Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

The Registrar will not register the transfer of or exchange of interests in a Global Certificate for Certificates for a period of three business days prior to the due date for any payment of principal. For the purposes hereof and for payment of interest, "**business day**" means a day on which commercial banks and foreign exchange markets are open for business in London and New York City.

Notwithstanding anything to the contrary herein, no exchanges to Certificates shall be made if the Specified Denomination of Notes in the applicable Pricing Supplement is formulated in such a way that a lower integral multiple is used for any amounts in excess of the Specified Denomination. Furthermore, such formulation shall not be permitted for any issuance of Notes that are to be represented by permanent Global Notes exchangeable for Certificates.

Euroclear, Clearstream, Luxembourg and DTC Arrangement for Registered Notes

So long as DTC or its nominee or Euroclear, Clearstream, Luxembourg or the nominee of the Common Depositary is the registered holder of a Global Certificate, DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Certificate for all purposes under the Agency Agreement and the Notes. Payments of principal, interest and additional amounts, if any, in respect of the Global Certificates will be made to DTC, Euroclear, Clearstream, Luxembourg or such nominee, as the case may be, as the registered holder thereof. None of the Issuer, any Agent or any Dealer or any affiliate of any of the above or any person by whom any of the above is controlled for the purposes of the Securities Act will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Distributions of principal and interest with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by Euroclear or Clearstream, Luxembourg from the Fiscal Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg customers in accordance with the relevant system's rules and procedures.

Holders of book-entry interests in the Notes through DTC will receive, to the extent received by DTC from the Fiscal Agent, all distribution of principal and interest with respect to book-entry interests in the Notes from the Fiscal Agent through DTC. Distribution in the United States will be subject to relevant US tax laws and regulations.

Interest on the Notes (other than interest payable on redemption) will be paid to the holder shown on the Register on the close of the business day preceding the due date for such payment so long as the Notes are represented by a Global Certificate, instead of on the fifteenth day before the due date for such payment (as provided by Condition 2(f)) so long as the Notes are in definitive form. Trading between a Restricted Global Certificate and a related Unrestricted Global Certificate will therefore be net of accrued interest from the relevant Record Date to the relevant Interest Payment Date.

The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer interests in a Global Certificate to such persons will be limited. As DTC, Euroclear and Clearstream, Luxembourg can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Certificate to pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

The holding of book-entry interests in the Notes through Euroclear, Clearstream, Luxembourg and DTC will be reflected in the book-entry accounts of each such institution. As necessary, the Registrar will adjust the amounts of Notes on the Register for the accounts of (i) BT Globenet Nominees Limited and (ii) Cede & Co. to reflect the amounts of Notes held through Euroclear, Clearstream, Luxembourg and DTC, respectively. Beneficial ownership of Notes will be held through financial institutions as direct and indirect participants in Euroclear, Clearstream, Luxembourg and DTC.

Interests in each Unrestricted Global Certificate and Restricted Global Certificate will be in uncertificated book-entry form.

Trading between Euroclear and/or Clearstream, Luxembourg Accountholders

Secondary market sale of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Trading between DTC Participants

Secondary market sales of book-entry interests in the Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement System. Where payment is not effected in US Dollars separate payments outside DTC are required to be made between the DTC participants.

Trading between Euroclear/Clearstream, Luxembourg Seller and DTC Purchaser

When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC participant wishing to purchase a beneficial interest in a Restricted Global Certificate (subject to such certification procedures as are provided in the Agency Agreement), the Euroclear or Clearstream, Luxembourg accountholder must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7:45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the Common Depositary and the Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholders, as the case may be. On the settlement date, the Common Depositary will (i) transmit appropriate instruction to the Custodian who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC participant and (ii) instruct the Registrar to (a) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the relevant Unrestricted Global Certificate and (b) increase the amount of Notes registered in the name of Cede & Co. and evidenced by the relevant Restricted Global Certificate.

Trading between DTC Seller and Euroclear/Clearstream, Luxembourg Purchaser

When book-entry interests in Notes are to be transferred from the account of a DTC participant to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in an Unrestricted Global Certificate (subject to such certification procedures as are provided in the Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York City time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder. On the settlement date, the Custodian will instruct the Registrar to (i) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the relevant Restricted Global Certificate and (ii) increase the amount of Notes registered in the name of the nominee for the Common Depositary and evidenced by the relevant Unrestricted Global Certificate. Certificate book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Although the foregoing set out the procedures of Euroclear, Clearstream, Luxembourg and DTC in order to facilitate the transfers of interests in the Notes among participants of DTC, Clearstream, Luxembourg and Euroclear, none of Euroclear, Clearstream, Luxembourg or DTC is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Fiscal Agent, any Agent or any Arranger or Dealer or any affiliate of any of the above, or any person by whom any of the above is controlled for the purposes of the Securities Act, will have any responsibility for the performance by DTC, Euroclear, Clearstream, Luxembourg or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency of any purpose of the arrangements described above.

USE OF PROCEEDS

The net proceeds of each issue of Notes will be used by the Issuer for its general funding purposes, including the repayment of foreign currency obligations and the making of foreign currency loans.

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, 2016, we had ₩76,724 billion of outstanding loans, including ₩42,628 billion of outstanding export credits, ₩27,527 billion of outstanding overseas investment credits and ₩3,741 billion of outstanding import credits, as compared to ₩69,412 billion of outstanding loans, including ₩38,196 billion of outstanding export credits, ₩25,641 billion of outstanding overseas investment credits and ₩3,783 billion of outstanding import credits as of December 31, 2015.

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 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, Senior Executive Directors and Auditor.

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.

In January 2014, the Government amended the KEXIM Act to:

- increase our authorized capital from ₩8,000 billion to ₩15,000 billion;
- expand our operation scope that enables us, among other things, to invest in (i) funds intended to support export and import transactions by small and medium-sized enterprises and (ii) special purpose companies that carry out value added overseas development projects in a flexible way; and
- reduce restrictions on our financing and investment activities by providing additional flexibility to us to cope with changes in market conditions.

In March 2016, the Government amended the KEXIM Act, which will take effect at the end of June 2016, to strengthen its enforcement powers by allowing:

- the Minister of Strategy and Finance to impose any necessary sanctions against the officers of the Bank; and
- the Financial Services Commission to request the Minister of Strategy and Finance to apply sanctions against the employees of the Bank.

Capitalization

As of December 31, 2016, our authorized capital was ₩15,000 billion and capitalization was as follows:

		December 31, 2016 [1] (billions of Won)
Long-Term Debt [2][3][4][5][6]:		
Borrowings in Korean Won	₩	—
Borrowings in Foreign Currencies		6,039
Export-Import Financing Debentures		43,983
Total Long-Term Debt	₩	50,023
Capital and Reserves:		
Paid-in Capital [7]	₩	10,398
Capital Surplus		7
Retained Earnings		535
Accumulated Legal Reserve [8]		329
Accumulated Voluntary Reserve [8]		1,217
Reserve for Bad Loans [9]		477
Retained Earnings before appropriation		(1,487)
Other Components of Equity [10]		280
Total Capital and Reserve	₩	11,220
Total Capitalization [8]	₩	61,243

(1) Except as described in this Offering Circular, there has been no material adverse change in our capitalization since December 31, 2016.

(2) Consists of borrowings and debentures with maturities of more than a year remaining.

(3) We have translated borrowings in foreign currencies as of December 31, 2016 into Won at the rate of ₩1,208.5 to US$1.00, which was the market average exchange rate as announced by the Seoul Monetary Brokerage Services Ltd., on December 31, 2016.

(4) As of December 31, 2016, we had contingent liabilities totaling ₩59,679 billion, which consisted of ₩53,615 billion under outstanding guarantees and acceptances and ₩6,064 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, 2016, see "—Financial Statements and the Auditors—Notes to Separate Financial Statements as of and for the years ended December 31, 2016 and 2015—Note 37."

(5) As of December 31, 2016, we had entered into 390 interest rate related derivative contracts with a notional amount of ₩34,407 billion and 692 currency related derivative contracts with a notional amount of ₩28,713 billion in accordance with our policy to hedge interest rate and currency risks. See "—Financial Statements and the Auditors—Notes to Separate Financial Statements as of and for the years ended December 31, 2016 and 2015—Note 20."

(6) See "—Description of Assets and Liabilities—Sources of Funding" for an explanation of these sources of funds. All our borrowings, whether domestic or international, are unsecured and unguaranteed.

(7) As of December 31, 2016, our authorized ordinary share capital was ₩15,000 billion and issued fully-paid ordinary share capital was ₩10,398 billion. See "—Business—Government Support and Supervision."

(8) See "—Business—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.

(9) If the estimated allowance for credit loss determined by K-IFRS for the accounting purposes is lower than that for the regulatory purposes as required by Supervisory Regulation of Banking Business, we reserve such difference as the regulatory reserve for bad loans. See "—Financial Statements and the Auditors—Notes to Separate Financial Statements as of and for the years ended December 31, 2016 and 2015—Note 24."

(10) See "—Financial Statements and the Auditors—Notes to Separate Financial Statements as of and for the years ended December 31, 2016 and 2015—Note 22."

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 and guarantees to facilitate Korean companies' exports and overseas investments and projects. Most of our activities have been carried out pursuant to this authority.

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

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

Export credits include loans to facilitate Korean exports of capital and non-capital goods and technical and non-technical services. 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 Economic Development 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, ₩4,000 billion in September 1998 and ₩8,000 billion in January 2009. In January 2014, the Government further increased our authorized capital to ₩15,000 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. Recent examples include the Government's contributions to our capital of (i) ₩130 billion, ₩40 billion, ₩75 billion, ₩15 billion, ₩10 billion, ₩935 billion, ₩10 billion and ₩65 billion in cash in January 2014, January 2015, August 2015, September 2015, July 2016, September 2016, October 2016 and November 2016, respectively, (ii) ₩380 billion and ₩1,000 billion in the form of shares of Korea Land & Housing Corporation in July 2014 and December 2015, respectively, and (iii) ₩500 billion in the form of shares of Korea Aerospace Industries Ltd. in June 2016, in order to enhance our capacity to finance projects, including large-scale overseas development projects. Taking into account these capital contributions, our total paid-in capital was ₩10,398 billion as of December 31, 2016.

Pursuant to the KEXIM Act, only the Government, The Bank of Korea, The Korea Development Bank, certain designated domestic banking institutions, exporters' associations and international financial organizations may contribute to our paid-in capital. As of December 31, 2016, the Government directly owned 72.9% of our paid-in capital and indirectly owned, through The Bank of Korea and The Korea Development Bank, 11.2% and 15.9%, respectively, of our paid-in capital. See "—Financial Statements and the Auditors—Notes to Separate Financial Statements as of and for the years ended December 31, 2016 and 2015—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, at least 10% 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.

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 Senior Executive Directors upon the recommendation of our President;
- the Minister of Strategy and Finance appoints our Auditor;
- 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 and immediately after the approval of the Minister of Strategy and Finance, we must report such program to the National Assembly;
- 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

Except where expressly indicated otherwise in this Offering Circular, loans in Won and loans in foreign currencies are collectively referred to as the "Loans"; bills bought, foreign exchange bought, advances for customers, call loans and interbank loans in foreign currency 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"; and Loan Credits and Guarantees are collectively referred to as the "Credit Exposure."

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

	Year Ended December 31,		
	2014	2015	2016
		(billions of Won) (audited)	
Income Statement Data			
Total Interest Income	₩ 1,689	₩ 1,887	₩ 2,231
Total Interest Expense	1,294	1,201	1,417
Net Interest Income	394	686	815
Operating Income	93	32	(1,958)
Income before Income Tax	93	35	(1,958)
Income Tax Benefit (expense)	(26)	(14)	471
Net Income	67	22	(1,487)

	As of December 31,		
	2014	2015	2016
		(billions of Won) (audited)	
Balance Sheet Data			
Total Loan Credits (1)	₩ 63,287	₩ 69,412	₩ 76,724
Total Borrowings (2)	57,310	65,197	71,880
Total Assets	73,074	81,890	89,775
Total Liabilities	63,194	70,864	78,555
Total Shareholders' Equity	9,880	11,026	11,220

(1) Gross amount, including bills bought, foreign exchange bought, call loans, inter-bank loans in foreign currency, advance for customers and others and before deducting valuation adjustment of loans in foreign currencies, allowance for loan losses and deferred loan origination fees. See "—Financial Statements and the Auditors—Notes to Separate Financial Statements as of and for the years ended December 31, 2016 and 2015—Note 10."

(2) Includes debentures.

2016

In 2016, we had net loss of ₩1,487 billion compared to net income of ₩22 billion in 2015. The principal factors for the net loss of ₩1,487 billion in 2016 compared to the net income of ₩22 billion in 2015 included:

- an increase in impairment loss on loans to ₩1,929 billion in 2016 from ₩836 billion in 2015, primarily due to a downgrade of the classification of our exposure to (i) Daewoo Shipbuilding & Marine Engineering ("DSME") from normal to precautionary, following our evaluation of DSME's financial condition (including a significant increase in its liabilities) and operating results (including a significant operating loss) and (ii) STX Offshore & Shipbuilding Co., Ltd. from substandard to estimated loss, following its filing for court receivership in June 2016.

- an increase in impairment loss on guarantees to ₩1,165 billion in 2016 from ₩122 billion in 2015, primarily due to a deterioration in credit quality with respect to guarantees extended to certain borrowers (including DSME and STX Offshore & Shipbuilding).

The above factors were partially offset by an income tax benefit of ₩471 billion in 2016 compared to an income tax expense of ₩13 billion in 2015, primarily due to loss before income tax of ₩1,958 billion in 2016.

As of December 31, 2016, our total assets increased to ₩89,775 billion from ₩81,890 billion as of December 31, 2015, primarily due to an increase in Loan Credits to ₩76,724 billion as of December 31, 2016 from ₩69,412 billion as of December 31, 2015.

As of December 31, 2016, our total liabilities increased to ₩78,555 billion from ₩70,864 billion as of December 31, 2015, primarily due to an increase in debentures to ₩62,119 billion as of December 31, 2016 from ₩53,240 billion as of December 31, 2015, which more than offset a decrease in borrowings to ₩9,761 billion as of December 31, 2016 from ₩11,958 billion as of December 31, 2015.

The increases in assets and liabilities were primarily due to increases in the volume of loans and debt, respectively. The depreciation of the Won against the U.S. dollar as of December 31, 2016 compared to December 31, 2015 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 (including significant percentages in U.S. dollars).

As of December 31, 2016, our total shareholders' equity increased to ₩11,220 billion from ₩11,026 billion as of December 31, 2015, primarily due to an increase in paid-in capital to ₩10,398 billion as of December 31, 2016 from ₩8,878 billion as of December 31, 2015 and an increase in unrealized gains on available-for-sale securities to ₩260 billion from ₩116 billion as of December 31, 2015, which more than offset a decrease in retained earnings to ₩535 billion as of December 31, 2016 from ₩2,028 billion as of December 31, 2015.

2015

We had net income of ₩22 billion in 2015 compared to net income of ₩67 billion in 2014. The principal factors for the decrease in net income in 2015 compared to 2014 included:

- an increase in net loss on hedging derivatives to ₩1,385 billion in 2015 from ₩623 billion in 2014, primarily due to a rise in the U.S. dollar LIBOR in 2015; and
- an increase in impairment loss on credit to ₩1,065 billion in 2015 from ₩652 billion in 2014, primarily due to an increase in non-performing loans in 2015 compared to 2014.

The above factors were partially offset by (i) net gain on fair value hedged items of ₩42 billion in 2015 compared to net loss of ₩416 billion in 2014, primarily due to a rise in the U.S. dollar LIBOR in 2015 and (ii) an increase in net interest income to ₩686 billion in 2015 from ₩394 billion in 2014, primarily due to a decrease in funding cost.

As of December 31, 2015, our total assets increased by 12% to ₩81,890 billion from ₩73,074 billion as of December 31, 2014, primarily due to a 10% increase in Loan Credits to ₩69,412 billion as of December 31, 2015 from ₩63,287 billion as of December 31, 2014.

As of December 31, 2015, our total liabilities increased by 12% to ₩70,864 billion from ₩63,194 billion as of December 31, 2014, primarily due to a 13% increase in debentures to ₩53,240 billion as of December 31, 2015 from ₩47,292 billion as of December 31, 2014.

The increases in assets and liabilities were primarily due to increases in the volume of loans and debt, respectively. The depreciation of the Won against the U.S. dollar as of December 31, 2015 compared to December 31, 2014 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 (including significant percentages in U.S. dollars).

As of December 31, 2015, our total shareholders' equity increased by 12% to ₩11,026 billion from ₩9,880 billion as of December 31, 2014, primarily due to the Government's ₩1,130 billion contribution to our capital in 2015.

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."

In 2016, we provided Loans of ₩56,784 billion, a decrease of 6% from the previous year, and our commitments of Loans amounted to ₩49,907 billion, a decrease of 9% from the previous year. The decrease in disbursements for Loans was primarily attributable to decreases in disbursements for export credits and import credits. The decrease in commitments of Loans was primarily due to a decrease in new commitments for export credits, overseas investment credits and import credits.

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

	As of December 31,			As % of 2016 Total
	2014	2015	2016	
	(billions of Won)			
Export Credits				
Industrial Plants	₩ 13,426	₩ 15,299	₩ 17,105	22.2%
Shipbuilding	9,318	12,748	14,328	18.6
Ferrous & nonferrous metal products	871	2,088	1,971	2.6
Petrochemical products	1,310	1,505	1,462	1.9
Automobiles	1,417	1,221	1,732	2.3
Electronic machineries	1,276	1,045	1,682	2.2
Others (1)	4,424	4,290	4,348	5.7
Sub-total	32,042	38,196	42,628	55.6
Overseas Investment Credits	21,700	25,641	27,527	35.9
Import Credits	4,388	3,783	3,741	4.9
Call Loans	4,803	902	2,765	3.6
Others (2)	354	844	541	0.7
Present Value Premium/Discount	52	46	(478)	(0.6)
Total Loan Credits	₩ 63,339	₩ 69,412	₩ 76,724	100.0%

(1) Includes general machinery, service sector, etc.
(2) Includes loans for Inter-bank loans in foreign currency, advances for customers, etc.
Source: Internal accounting records

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

New Loan Credit Commitments by Type of Credit

	As of December 31,			As % of 2016 Total
	2014	2015	2016	
	(billions of Won)			
Export Credits				
Industrial Plants	₩ 11,725	₩ 6,566	₩ 3,227	6.5%
Shipbuilding	5,883	7,889	7,703	15.4
Ferrous & nonferrous metal products	2,887	2,090	1,327	2.7
Petrochemical products	5,120	4,782	3,822	7.7
Automobiles	3,307	2,677	3,494	7.0
Electronic machineries	2,949	1,834	1,843	3.7
Others (1)	8,770	7,456	8,901	17.8
Sub-total	40,641	33,294	30,317	60.7
Overseas Investment Credits	11,467	14,359	13,369	26.8
Import Credits	7,087	7,406	6,221	12.5
Total	₩ 59,195	₩ 55,060	₩ 49,907	100.0%

(1) Includes general machinery, service sector, 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;
- forfaiting 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, 2016, export credits in the amount of ₩42,628 billion represented 56% of our total outstanding Loan Credits. Our disbursements of export credits in 2016 amounted to ₩35,727 billion, a decrease of 7% from the previous year, and our commitments of export credits in 2016 amounted to ₩30,317 billion, a decrease of 9% from the previous year. This decrease in disbursements and new commitments for export credits was primarily due to decreased activity for construction of industrial plants.

We offer export credits to Korean companies in order to provide them with the funds required for the manufacture or construction of capital and non-capital goods and readying of technical services designated in our operating manual for export. 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.

We offer export loans and technical service credits to domestic suppliers at fixed (no less than the Commercial Interest Reference Rate under the OECD Arrangement (as defined below)) or floating rates of interest with maturities of up to 12 years for ships and maturities of varying terms, from two to 18 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 (the "OECD Arrangement"). 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, 2016, overseas investment credits amounted to ₩27,527 billion, representing 36% of our total outstanding Loan Credits. Our commitments of overseas investment credits in 2016 amounted to ₩13,369 billion, a decrease of 7% from the previous year, primarily due to decreased demand in overseas investment and project credits. Our disbursements of overseas investment credits in 2016 amounted to ₩14,785 billion, an increase of 2% from the previous year, primarily due to disbursements made in 2016 based on increased commitments we approved in 2015.

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. 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, 2016, import credits in the amount of ₩3,741 billion represented 5% of our total outstanding Loan Credits. Disbursements and new commitments of import credits amounted to ₩6,272 billion and ₩6,221 billion, respectively, in 2016, a decrease of 13% and 16%, respectively, from the previous year, primarily due to a decrease in demand for financing for raw materials used for export and domestic consumption.

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. We generally provide up to 80% of the import contract amount, but provide up to 90% of the import contract amount in the case of small and medium-sized enterprises and up to 100% for transactions with a letter of credit opened by a bank.

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, 2016 decreased to ₩59,679 billion from ₩68,714 billion as of December 31, 2015. Guarantees we had confirmed as of December 31, 2016 decreased to ₩53,615 billion from ₩57,096 billion as of December 31, 2015.

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 2016, we issued project-related confirmed guarantees in the amount of ₩8,749 billion, a decrease of 36% from the previous year.

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 "—Financial Statements and the Auditors—Notes to Separate Financial Statements as of and for the years ended December 31, 2016 and 2015—Note 37."

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 2016 amounted to ₩745 billion for 108 projects in 32 countries, an increase of 1% from the previous year. As of December 31, 2016, the total outstanding loans extended by the EDCF was ₩5,692 billion, an increase of 13% 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 2016 amounted to ₩529 billion for 517 projects, and cumulative total disbursements as of December 31, 2016 were ₩6,677 billion, an increase of 9% from ₩6,147 billion as of December 31, 2015.

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

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, 2014, 2015 and 2016, categorized by type of exposure extended:

		As of December 31,					
		2014		2015		2016	
		(billions of Won, except for percentages)					
A	Loans in Won	₩ 13,185	12%	₩ 14,953	12%	₩ 16,178	13%
B	Loans in Foreign Currencies	43,615	40	51,385	41	55,523	44
C	**Loans (A+B)**	56,800	52	66,338	53	71,701	56
D	Other Loans(1)	6,487	6	3,074	2	5,023	4
E	**Loan Credits (C+D)**	63,287	58	69,412	56	76,724	60
F	Allowances for Loan Losses	(1,814	(2)	(2,405)	(2)	(2,926)	(2)
G	**Loan Credits including present value discounts (E-F)**	61,473	56	67,007	54	73,798	58
H	Guarantees	48,058	44	57,096	46	53,615	42
I	**Credit Exposure (G+H)**	109,531	100	124,103	100	127,413	100

(1) Includes call loans, inter-bank loans and other loans.

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, 2014, 2015 and 2016, categorized by geographic area (1):

	As of December 31, (1)(2)			As % of 2016 Total
	2014	2015	2016	
	(billions of Won)			
Asia (3)	₩ 47,845	₩ 50,272	₩ 56,012	73%
Europe	5,951	5,258	5,463	7
America	5,964	9,722	11,190	15
Africa	3,527	4,161	4,059	5
Total	₩ 63,287	₩ 69,412	₩ 76,724	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) Includes call loans, inter-bank loans and other loans.
(3) Includes Australia.
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. We believe that our activities related to Iran are not subject to the mandatory sanctions administered or enforced by the United States Government (including, without limitation, Section 104 of the U.S. Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 ("CISADA") and the Iran Financial Sanctions Regulations issued by the U.S. Secretary of the Treasury thereunder (the "IFSR")).

Our business related to Iran consists solely of extensions of credit and financing provided in connection with exports of 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 0.1%, 0.1% and 0.3% of our total assets as of December 31, 2014, 2015 and 2016, respectively, and also represented 0.2%, 0.1% and 0.3% of our Loan Credits as of those respective dates. Our total revenues from transactions with Iran in 2014, 2015 and 2016 represented 0.4%, 0.3% and 0.3% of our total revenues, respectively.

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, including, without limitation, CISADA and IFSR. 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, 2016, our largest Credit Exposure was to Daewoo Shipbuilding & Marine Engineering in the amount of ₩10,170 billion. As of December 31, 2016, our second largest and third largest Credit Exposures, respectively, were to Hyundai Heavy Industries Co., Ltd. in the amount of ₩5,051 billion and to Samsung Heavy Industries Co., Ltd. in the amount of ₩4,786 billion.

The following table sets out our five largest Credit Exposures as of December 31, 2016[1]:

Rank	Name of Borrower	Loan Credits	Guarantees	Total
		(billions of Won)		
1	Daewoo Shipbuilding & Marine Engineering Co., Ltd.	₩ 2,544	₩ 7,626	₩ 10,170
2	Hyundai Heavy Industries Co., Ltd.	1,593	3,458	5,051
3	Samsung Heavy Industries Co., Ltd.	869	3,917	4,786
4	Sungdong Shipbuilding & Marine Engineering Co., Ltd.	2,229	714	2,943
5	Hanwha Engineering & Construction Co., Ltd.	-	2,852	2,852

(1) Excludes loans and guarantees extended to affiliates.
Source: Internal accounting records.

In recent years, DSME, one of the largest shipbuilding and offshore construction companies in Korea, suffered from financial difficulties primarily due to significant losses incurred in connection with the construction of offshore plants resulting from a prolonged slowdown in the global shipbuilding industry. In October 2015, we announced that we, along with The Korea Development Bank, plan to provide financial support to DSME, including provision of liquidity support of up to ₩4.2 trillion. In December 2016, in a bid to improve DSME's capital structure, we exchanged a term loan in the amount of ₩1 trillion provided by us to DSME for perpetual bonds newly issued by DSME, while KDB engaged in debt-for-equity swaps amounting to ₩1.8 trillion. In March 2017, we and The Korea Development Bank announced a second joint plan pursuant to which, among others, (i) we, along with The Korea Development Bank, will provide an additional ₩2.9 trillion in financial support to DSME, (ii) we will exchange a term loan in the amount of ₩1.28 trillion provided by us to DSME for perpetual bonds to be issued by DSME and (iii) The Korea Development Bank will provide additional debt-to-equity swaps of ₩0.3 trillion, which would be contingent on other creditors agreeing to debt-to-equity swaps for up to 80% of their debt with DSME and rescheduling the maturities of the remainder. In April 2017, the other creditors approved the second joint plan.

In addition, we have Credit Exposures to a number of financially troubled Korean companies including STX Offshore & Shipbuilding and Sungdong Shipbuilding & Marine Engineering Co., Ltd. STX Offshore & Shipbuilding filed for court receivership in June 2016 and executed debt-for-equity swaps with their creditors, including us. Sungdong Shipbuilding & Marine Engineering suffered from financial difficulties, primarily due to a prolonged slowdown in the global shipbuilding industry and has been in voluntary out-of-court debt restructuring since 2010. We are the main creditor bank of Sungdong Shipbuilding & Marine Engineering.

As of December 31, 2016, our exposure to STX Offshore & Shipbuilding and Sungdong Shipbuilding & Marine Engineering amounted to ₩531 billion and ₩2,943 billion, respectively.

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. Credit categorizations 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.

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.

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).

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.

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.

Under K-IFRS, we establish provisions for credit losses with respect to loans using either a case-by-case or collective approach. We assess individually significant loans on a case-by-case basis and other loans on a collective basis. In addition, if we determine that no objective evidence of impairment exists for a loan, it includes such loan in a group of loans with similar credit risk characteristics and assesses them collectively for impairment regardless of whether such loan is significant. If there is objective evidence that an impairment loss has been incurred for individually significant loans, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of the estimated future cash flows discounted at such asset's original effective interest rate. Future cash flows are estimated through a case-by-case analysis of individually assessed assets, which takes into account the benefit of any guarantee or other collateral held. The value and timing of future cash flow receipts are based on available estimates in conjunction with facts available at the time of review and reassessed on a periodic basis as new information becomes available. For collectively assessed loans, we base the level of provisions for credit losses on a portfolio basis in light of the homogenous nature of the assets included in each portfolio. The provisions are determined based on a quantitative review of the relevant portfolio, taking into account such factors as the level of arrears, the value of any security, and historical and projected cash recovery trends over the recovery period. For more detailed information regarding our loan loss provisioning policy, see "—Financial Statements and the Auditors—Notes to Separate Financial Statements as of and for the years ended December 31, 2016 and 2015—Note 3(14)."

Asset Classifications

The following table provides information on our loan loss reserves:

	As of December 31, 2014		As of December 31, 2015		As of December 31, 2016	
	Loan Amount (1) (2)	Loan Loss Reserve (2)	Loan Amount (1) (2)	Loan Loss Reserve (2)	Loan Amount (1) (2)	Loan Loss Reserve (2)
	(billions of Won)					
Normal	₩ 100,967	₩ 702	₩ 118,708	₩ 824	₩ 110,589	₩ 436
Precautionary	3,117	493	2,007	321	11,145	1,219
Sub-standard	1,694	854	2,169	888	2,573	757
Doubtful	217	167	1,658	980	1,617	1,045
Estimated Loss	238	237	210	211	1,588	1,181
Total	₩ 106,233	₩ 2,452	₩ 124,752	₩ 3,224	₩ 127,512	₩ 4,638

(1) These figures include loans (excluding interbank loans and call loans), domestic usance bills, bills bought, notes bought, advances for customers, confirmed acceptances and guarantees.
(2) These figures include present value discount.

Reserves for Credit Losses

Non-performing assets ("NPA") are defined as assets that are classified as substandard or below.

The following table sets out our 10 largest non-performing assets as of December 31, 2016:

Borrower	Loans	Guarantees	Total
		(billions of Won)	
Sungdong Shipbuilding & Marine Engineering Co., Ltd.	₩ 2,012	₩ 351	₩ 2,363
Jurong Aromatics Corporation Pte Ltd..	757	-	757
SPP Shipbuilding Co., Ltd.	554	53	607
STX Offshore & Shipbuilding Co., Ltd.	89	442	531
Daesun Shipbuilding & Engineering Co., Ltd..	388	114	502
Hanjin Shipping Co., Ltd. (including 17 SPCs).	385	-	385
Dongbu Metal Co., Ltd..	108	-	108
STX Heavy Industries Co., Ltd.	64	6	70
Wooyang HC Co., Ltd.	12	24	36
Keangnam Enterprises Ltd.	-	32	32
Total	₩ 4,369	₩ 1,022	₩ 5,391

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 had been negotiating repayment terms with the government of the Russian Federation, which 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, 2016, our exposure to the government of the Russian Federation amounted to ₩115 billion and we established a 0.3% 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, 2016, the amount of our non-performing assets was ₩5,778 billion, an increase of 43% from ₩4,037 billion as of December 31, 2015. As of December 31, 2016, our non-performing asset ratio was 4.5%, compared to 3.2% as of December 31, 2015.

The following table sets forth our reserves for possible credit losses as of December 31, 2014, 2015 and 2016:

	As of December 31,		
	2014	2015	2016
	(billions of Won, except for percentages)		
Loan Loss Reserve (A) [(1)]	₩ 2,459	₩ 3,224	₩ 4,638
NPA (B) [(2)]	2,149	4,037	5,778
Total Shareholders' Equity (C)	9,880	11,026	11,220
Reserve to NPA (A/B)	114%	80%	80%
Equity at Risk (B-A)/C	—	7%	10%

(1) Consists of allowance for loan losses and provisions for confirmed acceptances and guarantees.
(2) Non-performing assets, which are defined as assets that are classified as substandard or below.
Source: Internal accounting records

The following table sets forth our actual loan loss reserve ratios as of December 31, 2014, 2015 and 2016:

Classification of Loans	Actual Reserve Coverage (as of December 31, 2014)	Actual Reserve Coverage (as of December 31, 2015)	Actual Reserve Coverage (as of December 31, 2016)
Normal	0.9%	0.8%	0.5%
Precautionary	19.0%	18.8%	17.1%
Substandard	57.3%	40.9%	31.6%
Doubtful	85.1%	59.2%	68.6%
Estimated Loss	100.0%	100.0%	82.0%

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 contributions by the Government; and
- securities acquired through investment approved by the Minister of Strategy and Finance, for research related to our operations, for our financing or pursuant to Korean statutes.

As of December 31, 2016, our total investment in securities amounted to ₩7,904 billion, representing 9% of our total assets. Our securities portfolio consists primarily of available-for-sale securities. Available-for-sale securities mainly consists of marketable securities (including equity securities in Industrial Bank of Korea which was recapitalized by the Government through us) and non-marketable securities (including equity securities in Korea Expressway Corporation which were in-kind contributions made by the Government to us). In 2014, we sold 976,625 shares of common stock, which represented all of our holding of common stock in Kumho Tire, for ₩11 billion. In 2015, we sold 3,459,279 shares of common stock, which represented all of our holding of common stock in SAMT Co., Ltd., for ₩4 billion. In 2016, we sold 639,505 shares of common stock, which represented 5% of our holdings of common stock in Taihan Electric Wire Co., Ltd., for ₩2 billion.

The following table sets out the composition of our securities as of December 31, 2014, 2015 and 2016:

Type of Investment Securities	As of December 31, 2014 Amount	%	As of December 31, 2015 Amount	%	As of December 31, 2016 Amount	%
	(billions of Won, except for percentages)					
Available-for-sale Securities	₩ 4,753	87%	₩ 5,837	88%	₩ 7,027	89%
Held-to-maturity Securities	39	1	108	2	111	1
Investments in Associates and Subsidiaries	659	12	679	10	766	10
Total	₩ 5,451	100%	₩ 6,624	100%	₩ 7,904	100%

For further information relating to the classification guidelines and methods of valuation for unrealized gains and losses on our securities, see "—Financial Statements and the Auditors—Notes to separate financial statements and of and for the years ended December 31, 2016 and 2015—Note 2 and Note 5."

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, 2016, we had issued a total amount of ₩53,615 billion in confirmed guarantees and acceptances, of which ₩44,454 billion, representing 83% of the total amount, was classified as normal,

₩8,109 billion, representing 15% of the total amount, was classified as precautionary, and ₩1,053 billion, representing 2% of the total amount, was classified as substandard or below.

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, 2016, our outstanding loans made at floating rates of interest totaled approximately ₩ 54,682 billion, whereas our outstanding borrowings made at floating rates of interest totaled approximately ₩ 56,961 billion, including those raised in British Pound, Australian Dollar, Swiss Franc, Hong Kong Dollar, Brazil Real, Czech Koruna 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 borrowings made at floating rates of interest exceeds the amount of our loans made at floating rates of interest. Foreign exchange risk arises because a majority of our assets and liabilities are denominated in non-Won currencies. In order to match our currency and interest rate structure, we generally enter into swap transactions.

The following table shows the unsettled notional amounts and estimated fair values of derivatives we held as of the dates indicated.

	As of December 31,								
	2014			2015			2016		
	Unsettled Notional Amount	Fair Value of Assets	Fair Value of Liabilities	Unsettled Notional Amount	Fair Value of Assets	Fair Value of Liabilities	Unsettled Notional Amount	Fair Value of Assets	Fair Value of Liabilities
	(billions of Won)								
Currency forwards	₩ 1,842	₩ 5	₩ 48	₩ 6,156	₩ 208	₩ 96	₩ 5,581	₩ 145	₩ 157
Currency swaps	15,528	78	2,304	19,101	114	3,167	23,132	273	2,501
Interest rate swaps	13,806	262	121	23,111	296	160	34,407	395	530
Total	₩ 31,177	₩ 345	₩ 2,473	₩ 48,368	₩ 619	₩ 3,422	₩ 63,120	₩ 813	₩ 3,188

As of December 31, 2016, we had entered into 692 currency related derivative contracts with a notional amount of ₩28,713 billion and had entered into 390 interest rate related derivative contracts with a notional amount of ₩34,407 billion. In connection with our currency forwards and currency swaps, we had net valuation loss of ₩2,240 billion in 2016 and ₩2,941 billion in 2015, primarily due to the appreciation of the U.S. dollar against other currencies, which resulted in an increase in the value of our obligations denominated in the U.S. dollar. In connection with our interest rate swaps, we recorded net valuation loss of ₩135 billion in 2016 compared to net valuation gain of ₩136 billion in 2015, primarily due to an increase in benchmark interest swap rates, such as the U.S. dollar interest swap rate in 2016, which resulted in a decrease in the value of our floating-for-fixed interest rate swaps. See "—Financial Statements and the Auditors—Notes to Separate Financial Statements as of and for the years ended December 31, 2016 and 2015—Note 20."

Sources of Funding

We obtain funds primarily through borrowings from 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 ₩60,061 billion (new borrowings plus loan repayments by our clients less repayment of our existing debt) during 2016, a 10% decrease compared with the previous year's ₩66,882 billion. The total loan repayments, including prepayments by our clients, during 2016 amounted to ₩53,039 billion, a decrease of 1% from ₩53,715 billion during 2015.

Since our establishment, the Government has, from time to time, provided us with loans to support our lending to Korean exporters and provide liquidity to us. As of December 31, 2016, we had no outstanding borrowings from the Government. We also issued Won-denominated domestic bonds in the aggregate amounts of ₩9,560 billion, ₩11,180 billion and ₩12,270 billion during 2014, 2015 and 2016, 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, Thai Baht, Malaysia Ringgit, Japanese Yen, Australian Dollar, Euro, Hong Kong Dollar, Singapore Dollar, Swiss Franc, Brazilian Real, Turkish Lira, Mexican Peso, Peruvian Sol, Indian Rupee, Indonesian Rupiah, Chinese Yuan, New Zealand Dollar, Saudi Riyal, Taiwan Dollar, Russian Ruble, South African Rand, Deutsche Mark, Danish Krone, Swedish Krona, Czech Koruna, Norwegian Krone, British Pound and Canadian Dollar and have original maturities ranging from one to thirty years.

During 2016, we issued Eurobonds in the aggregate principal amount of US$5,283 million in various types of currencies under our existing medium term notes program, a 21% increase from US$4,352 million in 2015. These bond issues consisted of offerings of US$2,123 million, HKD 2,558 million, BRL 2,982.5 million, EUR 750 million, CNY 2,258 million, GBP 60 million and SGD 102.8 million. In addition, we issued global bonds during 2016 in the aggregate amount of US$5,600 million under our U.S. shelf registration statement (the "U.S. Shelf Program") compared with US$5,325 million in 2015. As of December 31, 2016, the outstanding amounts of our notes and debentures were US$27,852 million, JPY 131,220 million, HKD 6,100 million, MYR 1,000 million, BRL 4,172 million, EUR 2,865 million, MXN 2,944 million, THB 23,800 million, CHF 275 million, AUD 2,861 million, INR 8,445 million, CNY 11,301 million, IDR 2,750,000 million, PEN 266 million, TRY 281 million, NZD 938 million, ZAR 697 million, RUB 660 million, NOK 2,750 million, CZK 700 million, GBP 360 million, CAD 325 million and SGD 526 million. In January 2017, we issued global bonds in the aggregate principal amount of US$1,500 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 two to five years. As of December 31, 2016, the outstanding amount of such borrowings from foreign financial institutions was US$3,100 million.

Our paid-in capital has increased from time to time since our establishment. From January 1998 to December 2016, the Government contributed ₩9,018 billion to our capital. As of December 31, 2016, our total paid-in capital amounted to ₩10,398 billion, and the Government, The Bank of Korea and The Korea Development Bank owned 72.9%, 11.2% and 15.9%, respectively, of our paid-in capital.

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, 2016, the aggregate outstanding principal amount of our borrowings (including export-import financing debentures), which was ₩72,150 billion, was equal to 22% of the authorized amount of ₩327,997 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 2017:

Sources of Fund	(billions of Won)
Capital Contribution	₩ -
Borrowings	25,350
Net Collection of Loans	24,160
Collection of Loans	43,864
Repayment of Debts	(19,704)
Others	3,490
Total	₩ 53,000

Debt

Debt Repayment Schedule

The following table sets out the principal repayment schedule for our outstanding debt (consisting of borrowings and debentures) as of December 31, 2016:

Debt Principal Repayment Schedule

	Maturing on or before December 31,				
Currency [1]	2017	2018	2019	2020	Thereafter
			(billions of Won)		
Won	₩ 9,740	₩ 1,130	₩ -	₩ -	₩ 1,210
Foreign [2]	12,388	8,229	9,965	8,009	21,479
Total Won Equivalent	₩ 22,128	₩ 9,359	₩ 9,965	₩ 8,009	₩ 22,689

(1) Borrowings and debentures in foreign currency have been translated into Won at the market average exchange rates on December 31, 2016, as announced by the Seoul Money Brokerage Services Ltd.
(2) This figure includes debentures, bank loans, commercial papers and repurchase agreements.

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 2015 and 2016 were approximately US$4,729 million and US$4,100 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, 2016, our foreign currency assets maturing within three months, six months and one year exceeded our foreign currency liabilities coming due within such periods by US$2,612 million, US$4,979 million and US$5,324 million, respectively. As of December 31, 2016, our total foreign currency liabilities exceeded our total foreign currency assets by US$1,292 million.

Internal and External Debt of the Bank

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

Internal Debt of the Bank

	(billions of Won)
2012	7,330
2013	8,130
2014	8,670
2015	9,700
2016	12,080

The following table sets out, by currency and the equivalent amount in U.S. Dollars, the outstanding external debt of the Bank as of December 31, 2016:

External Debt of the Bank

	Amount in Original Currency		Equivalent Amount in U.S. Dollars (1)
	(billions)		
US$	US$	27.9	US$ 27.9
Euro (EUR)	EUR	2.9	3.0
Japanese yen (JPY)	JPY	131.2	1.1
Brazilian real (BRL)	BRL	4.2	1.3
Australian Dollars (AUD)	AUD	2.9	2.1
British Pound (GBP)	GBP	0.4	0.4
Thai Baht (THB)	THB	23.8	0.7
Hong Kong dollar (HKD)	HKD	6.1	0.8
Swiss franc (CHF)	CHF	0.3	0.3
Malaysian Ringgit (MYR)	MYR	1.0	0.2
Indonesian rupiah (IDR)	IDR	2,750.0	0.2
Chinese Yuan (CNY)	CNY	11.3	1.6
Norwegian Krone (NOK)	NOK	2.8	0.3
Turkish Lira (TRY)	TRY	0.3	0.1
Mexican Peso (MXN)	MXN	2.9	0.1
New Zealand Dollar (NZD)	NZD	0.9	0.7
Indian Rupee (INR)	INR	8.4	0.1
South African Rand (ZAR)	ZAR	0.7	0.1
Peru Nuevo sol (PEN)	PEN	0.3	0.1
Russian Ruble (RUB)	RUB	0.7	0.01
Czech Koruna (CZK)	CZK	0.7	0.03
Canadian Dollar (CAD)	CAD	0.3	0.2
Singapore Dollar (SGD)	SGD	0.5	0.4
			US$ 41.74

(1) Amounts expressed in currencies other than U.S. dollar are converted to U.S. dollar at the exchange rate announced by the Seoul Money Brokerage Services, Ltd. in effect on December 31, 2016 or the prevailing market rate on December 31, 2016.

The following table summarizes, as of December 31 of the years indicated, the outstanding external debt of the Bank:

External Debt of the Bank

	(billions of Won)
2012	35,075
2013	40,203
2014	48,411
2015	54,631
2016	59,847

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

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 Board of Directors can approve loans of any amount. The Chief Executive Credit Committee, Credit Committee, Loan Officer Committee, Director Generals and Directors 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 or made on a partially or fully secured basis. As of December 31, 2016, approximately 11% of our total outstanding loans were guaranteed or 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 Group. The Risk Management Department and the Treasury Group continually monitor our overall liquidity and the Treasury Group 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 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, 2016 for our Won- and foreign currency-denominated loans was 11 months and 46 months, respectively, and for Won- and foreign currency-denominated liabilities was 20 months and 45 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.

The current capital adequacy requirements of the Financial Services Commission are derived from a new set of bank capital measures, referred to as Basel III, which the Basel Committee on Banking Supervision initially introduced in 2009 and began phasing in starting from 2013. Commencing in July 2013, the Financial Services Commission promulgated a series of amended regulations implementing Basel III, pursuant to which Korean banks, including us, were required to maintain a minimum ratio of Tier I common equity capital (which principally includes equity capital, capital surplus and retained earnings less reserve for credit losses) to risk-weighted assets of 3.5% and Tier I capital to risk-weighted assets of 4.5% from December 1, 2013, which minimum ratios were increased to 4.0% and 5.5%, respectively, from January 1, 2014 and increased further to 4.5% and 6.0%, respectively, from January 1, 2015. Such requirements are in addition to the pre-existing requirement for a minimum ratio of Tier I and Tier II capital (less any capital deductions) to risk-weighted assets of 8.0%, which remains unchanged. The amended regulations also require an additional capital conservation buffer of 0.625% on January 1, 2016, with such buffer to increase to 1.25% on January 1, 2017, to 1.875% on January 1, 2018 and to 2.5% on January 1, 2019, as well as a potential counter-cyclical capital buffer of up to 2.5% starting in 2016, which will be determined on a quarterly basis by the Financial Services Commission. Presently, the Financial Services Commission has set the counter-cyclical capital buffer at 0%. As of December 31, 2016, our capital adequacy ratio was 10.8%, an increase from 10.0% as of December 31, 2015, which was primarily due to an increase in total capital.

The following table sets forth our capital base and capital adequacy ratios reported as of December 31, 2014, 2015 and 2016:

	As of December 31,		
	2014	2015	2016
	(billions of Won, except for percentages)		
Tier I	₩ 9,321	₩ 10,586	₩ 11,239
Paid-in Capital (including capital surplus)	7,748	8,878	10,405
Retained Earnings[(1)]	1,490	1,611	606
Accumulated other comprehensive income	96	124	286
Others	4	2	3
Deductions from Tier I Capital	(17)	(29)	(61)
Capital Adjustments	—	—	—
Deferred Tax Asset	—	—	—
Others	(17)	(29)	(61)
Tier II (General Loan Loss Reserves)	1,223	1,301	1,975
Total Capital	10,544	11,887	13,214
Risk Adjusted Assets	100,445	118,438	122,663
Capital Adequacy Ratios			
Tier I common equity	9.3%	8.9%	9.2%
Tier I	9.3%	8.9%	9.2%
Tier I and Tier II	10.5%	10.0%	10.8%

(1) Net amount after deducting regulatory reserve for bad loans.

Source: Internal accounting records

Overseas Operations

We maintain an international presence through 24 overseas representative offices, which are located in New York City, Tokyo, Beijing, São Paolo, Paris, Washington D.C., Shanghai, New Delhi, Dubai, Moscow, Mexico City, Tashkent, Hanoi, Manila, Jakarta, Yangon, Bogota, Istanbul, Dar es Salaam, Maputo, Accra, Phnom Penh, Addis Ababa and Colombo.

We also have three wholly-owned subsidiaries: KEXIM Bank (UK) Ltd. in London, KEXIM (Asia) Ltd. in Hong Kong and KEXIM Vietnam Leasing Co., Ltd. in 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, 2016:

	Principal Place of Business	Type of Business	Book Value	Bank's Holding
			(billions of Won)	(%)
Kexim Bank (UK) Ltd.	United Kingdom	Commercial Banking	₩ 48	100%
KEXIM (Asia) Ltd.	Hong Kong	Commercial Banking	49	100
P.T. Koexim Mandiri Finance	Indonesia	Leasing and Factoring	25	85
Kexim Vietnam Leasing Co., Ltd.	Vietnam	Leasing and Lending	10	100

Property

Our head office is located at 38 Eunhaeng-ro, Yeongdeungpo-gu, Seoul 07242, Korea, a 45,715 square meter building 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 and a marine finance center, a 4,423 square meter building, located in Busan on a site of 556 square meters. We also maintain 13 branches in Busan, Gwangju, Daegu, Changwon, Daejeon, Suwon, Incheon, Ulsan, Cheongju, Jeonju, Gumi, Yeosu and Wonju. 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 six members: the President, the Deputy President, two Senior Executive Directors and two Non-standing Senior

Executive Directors. The Auditor may attend and state his/her opinion at the meetings of the Board of 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 Senior Executive Directors upon the recommendation of our President. The Minister of Strategy and Finance appoints the Auditor. All Board members and the Auditor 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	Board Member Since	Position
Jong-ku Choi	61	March 6, 2017	Chairman and President
Young-pyo Hong	62	May 15, 2015	Deputy President
Sung-hwan Choi	61	July 1, 2015	Senior Executive Director
Sung-taek Kim	58	July 1, 2015	Senior Executive Director
Sung-bae Kim	63	December 30, 2016	Non-standing Senior Executive Director
Gong-pil Choi	60	December 30, 2016	Non-standing Senior 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, nominated by the Minister of Foreign Affairs;
- official of the Ministry of Trade, Industry & Energy, nominated by the Minister of Trade, Industry & Energy;
- official of the Ministry of Land, Infrastructure and Transport, nominated by the Minister of Land, Infrastructure and Transport;
- official of the Ministry of Oceans and Fisheries, nominated by the Minister of Oceans and Fisheries;
- 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 Trade, Industry & Energy;
- officer of the Korea Trade Insurance Corporation established under the Trade Insurance Act, nominated by the Chairman and President of the Korea Trade Insurance Corporation; and
- up to two persons who have extensive knowledge and experience in international economic cooperation work, recommended by our 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
Jong-ku Choi	61	March 6, 2017	Chairman and President of KEXIM
In-chang Song	56	February 2, 2016	Deputy Minister for International Economic Affairs, Ministry of Strategy and Finance
Tae-ho Lee	58	March 26, 2015	Deputy Minister for Economic Affairs, Ministry of Foreign Affairs
Hee-bong Chae	52	October 10, 2016	Deputy Minister for International Trade and Investment, Ministry of Trade, Industry & Energy
Yong-bok Kwon	57	March 17, 2017	Assistant Minister for Construction Policy Bureau, Ministry of Land, Infrastructure and Transport
Ki-doo Eom	52	January 25, 2017	Director of Shipping & Logistics Bureau, Ministry of Oceans and Fisheries
Yong-beom Kim	55	November 6, 2015	Secretary General, Financial Services Commission
Jin-ho Huh	56	July 16, 2016	Deputy Governor, The Bank of Korea
Kun-ki Hong	54	January 25, 2017	Executive Director, Korea Federation of Banks
Jung-gwan Kim	58	March 10, 2015	Executive Vice Chairman, Korea International Trade Association

Name	Age	Member Since	Position
Byung-tae Kang	58	March 23, 2017	Deputy President, Korea Trade Insurance Corporation
Yoon Heo (Private Sector)	55	February 21, 2017	Professor, Sogang Graduate School of International Studies
Won-chang Jang (Private Sector)..	53	February 21, 2017	Professor, Inha University

Employees

As of December 31, 2016, we had 1,068 employees, among which 770 employees were members of our labor union. We have never experienced a work stoppage of a serious nature. Every two years, the management and union negotiate and enter into a collective bargaining agreement. The most recent collective bargaining agreement was entered into in November 2014.

Financial Statements and the Auditors

The Minister of Strategy and Finance appoints our internal Auditor who is responsible for examining our financial operations and auditing our financial statements and accounting records. The present internal Auditor is Kong Myung Jai, who was appointed for a three-year term on August 29, 2014.

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 separate financial statements since 1983 and consolidated financial statements since 1998. As of the date of this Offering Circular, our independent auditor is Deloitte Anjin LLC, located at 9th Floor, One IFC Bldg., 10 Gukjegeumyung-ro, Yeongdeungpo-gu, Seoul 07326, Korea which has audited our separate financial statements as of and for the years ended December 31, 2015 and 2016 included in this Offering Circular.

Our financial statements and separate financial information included in this Offering Circular were prepared under K-IFRS. For a summary of financial statement preparation and significant accounting policies, see "—Notes to Separate Financial Statements as of and for the years ended December 31, 2016 and 2015—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 using the effective interest method. See "—Notes to Separate Financial Statements as of and for the years ended December 31, 2016 and 2015—Note 3(17)."

We classify a non-derivative financial asset as held for trading if either it is acquired for the purpose of selling it in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. 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 at fair value. However, investments in available-for-sale securities that do not have readily determinable fair values are recognized at cost. 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 carrying amount 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.

Our financial statements are separate financial statements prepared in accordance with the requirements of K-IFRS 1027 Separate Financial Statements, in which a parent, or an investor with joint control of, or significant influence over, an investee accounts for the investments based on the cost method or valuation methods in accordance with K-IFRS 1039 Financial Instruments.

Since we initially adopted K-IFRS in 2013, our premises and equipment on the statements of financial position as of January 1, 2013 have been measured at their fair value in accordance with IFRS 1 paragraph 30(b), and we have chosen to apply the cost model to the premises and equipment in accordance with IAS 16 paragraph 29.

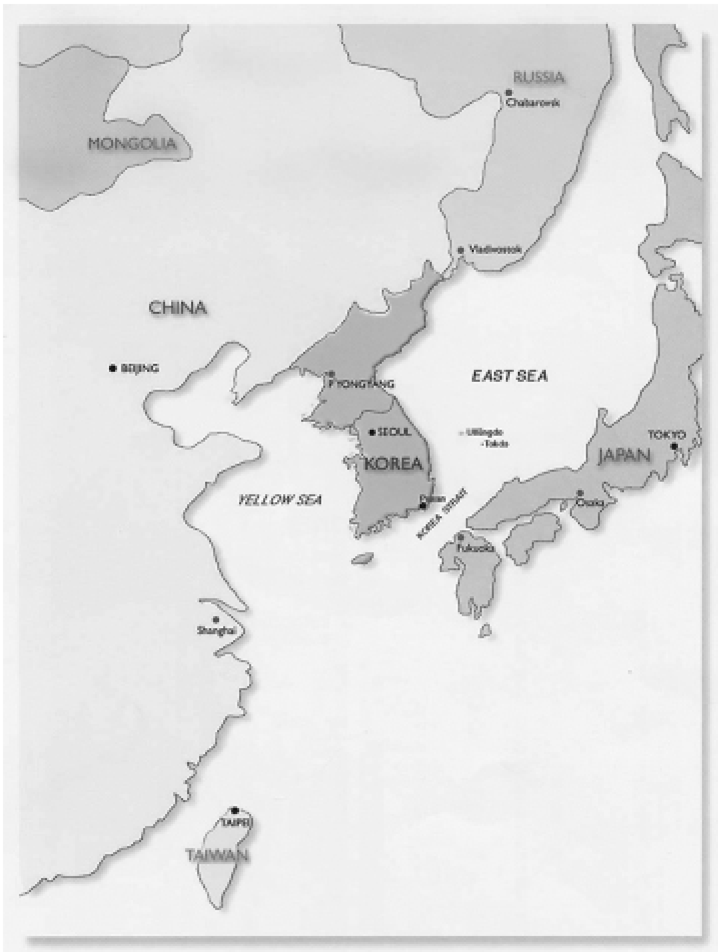
THE REPUBLIC OF KOREA

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 51 million people. The country's largest city and capital, Seoul, has a population of about 10 million people.

Map of the Republic of Korea



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 August 15, 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 on August 20, 2007. In February 2008, the UNDP merged back into the Democratic Party. In December 2011, the Democratic Party merged with the Citizens Unity Party to form the Democratic United Party, which changed its name to the Democratic Party in May 2013.

In December 2007, the country elected Lee Myung-Bak as President. He commenced his term on February 25, 2008. The Lee administration pursued a lively market economy through deregulation, free trade and the attraction of foreign investment.

In December 2012, the country elected Park Geun-hye as President. She commenced her term on February 25, 2013. In November 2016, the Korean prosecutor's office indicted a confidant of President Park who had allegedly used her ties with the President to extort donations from Korean business groups for two non-profit foundations over which she is purported to have substantial influence, as well as a number of current and former presidential aides, on charges of, among others, abuse of power, coercion and leaking classified documents. On November 30, 2016, a special independent prosecutor was appointed to conduct an investigation of the extent of the President's involvement, and mass weekend rallies were held in Seoul and other cities both to protest against, and to express support for, President Park.

On December 9, 2016, the National Assembly voted in favor of impeaching President Park for a number of alleged constitutional and criminal violations, including violation of the Constitution and abuse of power by allowing her confidant to exert influence on state affairs and allowing senior presidential aides to aid in her extortion from companies. President Park was suspended from power immediately, with the prime minister simultaneously taking over the role of acting President. On March 10, 2017, the Constitutional Court unanimously upheld the parliamentary vote to impeach President Park, triggering her immediate dismissal. A special election to elect a new President was held on May 9, 2017 and the country elected Moon Jae-In as President. He commenced his term on May 10, 2017.

In connection with its investigation of former President Park, the special independent prosecutor also conducted related investigations of several large Korean business groups and members of their senior management for bribery, embezzlement and other possible misconduct, which the Korean prosecutor's office has continued following the end of the special independent prosecutor's term. On March 31, 2017, the Seoul Central District Court issued an arrest warrant for former President Park in connection with such investigation. On April 17, 2017, the Korean prosecutor's office indicted former President Park on 18 charges including bribery, abuse of power and coercion. Although the Government believes that the Korean economy is resilient enough to withstand any temporary negative impact of such political development, there is no assurance that it will not have a material adverse effect on the Korean economy and public finances.

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 84% 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 eight provinces, one special autonomous province (Jeju), one special city (Seoul), six metropolitan cities (Busan, Daegu, Incheon, Gwangju, Daejon and Ulsan) and one special autonomous city (Sejong). 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 Parties

The 20th legislative general election was held on April 13, 2016 and the term of the National Assembly members elected in the 20th legislative general election commenced on May 30, 2016. Currently, there are four major political parties: The Minjoo Party of Korea, or MPK (formerly known as the New Politics Alliance for Democracy, or NPAD, before certain of its members left in December 2015 to form a new party), the Liberty Korea Party, or LKP (formerly known as the Saenuri Party, or SP, before certain of its members left in December 2016), People's Party, or PP, which was established in February 2016 by certain former members of the NPAD, and Bareun Party, or BP, which was established in January 2017 by certain former members of SP.

As of May 10, 2017, the parties control the following number of seats in the National Assembly:

	MPK	LKB	PP	BP	Others	Total
Number of seats	120	94	40	32	13	299

Relations with North Korea

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

North Korea maintains a military force estimated at more than a million regular troops, mostly concentrated near the northern side of the demilitarized zone, and 7 million reserves. The Republic's military forces, composed of approximately 630,000 regular troops and 3 million reserves, maintain a state of military preparedness along the southern side of the demilitarized zone. In addition, the United States has maintained its military presence in the Republic since the signing of the armistice and currently has approximately 28,500 troops stationed in the Republic. The Republic and the United States share a joint command structure over their military forces in Korea. In October 2014, the United States and the Republic agreed to implement a conditions-based approach to the dissolution of their joint command structure at an appropriate future date, 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 particular, since the death of Kim Jong-il in December 2011, there has been increased uncertainty with respect to the future of North Korea's political leadership and concern regarding its implications for political and economic stability in the region. Although Kim Jong-il's third son, Kim Jong-eun has assumed power as his father's designated successor, the long-term outcome of such leadership transition remains uncertain.

In addition, there have been heightened security concerns in recent years stemming from North Korea's nuclear weapons and long-range missile programs as well as its hostile military and other actions against Korea. Some of the significant incidents in recent years include the following:

- North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty in January 2003 and conducted three rounds of nuclear tests between October 2006 to February 2013, which increased tensions in the region and elicited strong objections worldwide. In January 2016, North Korea announced that it had successfully tested a hydrogen bomb, its fourth nuclear test and allegedly first test using hydrogen, which is more explosive than plutonium. In February 2016, North Korea tested its intercontinental ballistic missile technology and launched a long-range missile, which it claimed to have launched a satellite into orbit. In response, the Government condemned the provocations and flagrant violations of relevant United Nations Security Council resolutions and withdrew Korean personnel from the inter-Korea Gaesong Industrial Complex and announced its closing. In March 2016, the United Nations Security Council unanimously passed a resolution condemning North Korea's actions and significantly expanding the scope of sanctions applicable to North Korea. In September 2016, North Korea announced that it had successfully tested a nuclear warhead that could be mounted on ballistic missiles. In response, the Government condemned the test, and in November 2016, the United Nations Security Council unanimously passed a resolution imposing additional sanctions on North Korea.
- In August 2015, two Korean soldiers were seriously wounded in landmine explosions while on routine patrol of the southern side of the demilitarized zone. The Government and the United Nations Command announced that the landmines were emplaced by North Korea, and in response, the Korean army restarted its loudspeaker propaganda broadcasts directed at the northern side of the demilitarized zone. The North Korean army retaliated by firing artillery rounds at the loudspeakers resulting in both sides being placed on the highest level of military readiness. High-ranking officials from the Government and North Korea subsequently met for discussions intending to diffuse military tensions and released a joint statement whereby, among other things, North Korea expressed regret over the landmine explosions that wounded the Korean soldiers.
- In March 2010, a Korean naval vessel was destroyed by an underwater explosion, killing many of the crewmen on board. The Government formally accused North Korea of causing the sinking, while North Korea denied responsibility. Moreover, in November 2010, North Korea fired more than one hundred artillery shells that hit Korea's Yeonpyeong Island near the Northern Limit Line, which acts as the de facto maritime boundary between Korea and North Korea on the west coast of the Korean peninsula, causing casualties and significant property damage. The Government condemned North Korea for the attack and vowed stern retaliation should there be further provocation.

North Korea's economy also faces severe challenges, which may aggravate social and political pressures 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. Any further increase in tension, which may occur, for example, if North Korea experiences a leadership crisis, high-level contacts between the Republic 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 together with the United States.

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

- United Nations;
- 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;
- the Inter-American Development Bank, or IDB; and
- the Organization for Economic Cooperation and Development, or OECD.

The Economy

The following table sets forth information regarding certain of the Republic's key economic indicators for the periods indicated.

	As of or for the year ended December 31,				
	2012	2013	2014	2015	2016 (6)
	(billions of dollars and trillions of Won, except percentages)				
GDP Growth (at current prices)	3.4%	3.8%	4.0%	4.9%	4.7%(6)
GDP Growth (at chained 2010 year prices)	2.3%	2.9%	3.3%	2.6%	2.8%(6)
Inflation	2.2%	1.3%	1.3%	0.7%	1.0%
Unemployment (1)	3.2%	3.1%	3.5%	3.6%	3.7%
Trade Surplus (2)	$ 28.3	$ 44.0	$ 47.2	$ 90.3	$ 89.2
Foreign Currency Reserves	$ 327.0	$ 346.5	$ 363.6	$ 368.0	$ 371.1
External Liabilities(3)	$ 408.9	$ 423.5	$ 424.3	$ 396.1	$ 380.9(6)
Fiscal Balance	₩ 18.5	₩ 14.2	₩ 8.5	₩ (0.2)	₩ 16.9(6)
Direct Internal Debt of the Government(4) (as % of GDP(5))	30.9%	32.8%	34.6%	37.3%(6)	N/A%(7)
Direct External Debt of the Government(4) (as % of GDP(5))	0.6%	0.6%	0.5%	0.5%(6)	N/A%(7)

(1) Average for year.
(2) Derived from customs clearance statistics on a C.I.F. basis, meaning that the price of goods include insurance and freight cost.
(3) Calculated under the criteria based on the sixth edition of Balance of Payment Manual, or BPM6, published by the International Monetary Fund in December 2010.
(4) Does not include guarantees by the Government. See "—Debt—External and Internal Debt of the Government—Guarantees by the Government" for information on outstanding guarantees by the Government.
(5) At chained 2010 year prices.
(6) Preliminary.
(7) Not available.

Source: The Bank of Korea

Worldwide Economic and Financial Difficulties

In recent years, the global financial markets have experienced significant volatility as a result of, among other things:

- the financial difficulties affecting many governments worldwide, in particular in southern Europe and Latin America;
- the slowdown of economic growth in China and other major emerging market economies;
- interest rate fluctuations as well as the possibility of increases in policy rates by the U.S. Federal Reserve and other central banks;
- political and social instability in various countries in the Middle East and Northern Africa, including Iraq, Syria and Yemen, as well as in the Ukraine and Russia; and
- fluctuations in oil and commodity prices.

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.

As a result of adverse global financial and economic conditions, there has been significant volatility in the Korea Composite Stock Index in recent years. See "—The Financial System—Securities Markets". There is no guarantee that the stock prices of Korean companies will not decline again in the future. Future declines in the 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 and banks to raise capital. In addition, the value of the Won relative to major foreign currencies in general and the U.S. dollar in particular has fluctuated widely in recent years. A depreciation of the Won generally increases the cost of imported goods and services and the required amount of the Won revenue for Korean companies to service foreign currency-denominated debt.

In the event that difficult conditions in the global credit markets continue or the global economy deteriorates in the future, the Korean economy could be adversely affected and 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 addition to the global developments, domestic developments that could lead or contribute to a material adverse effect on the Korean economy include, among other things, the following:

- steadily rising household debt consisting of housing loans and merchandise credit, which increased to approximately ₩1,207.0 trillion as of December 31, 2015 from ₩843.2 trillion as of December 31, 2010, primarily due to increases in mortgage loans and purchases with credit cards;
- a slowdown in consumer spending and depressed consumer sentiment, due in part to national tragedies including the sinking of the Sewol passenger ferry in April 2014, which led to the death of hundreds of passengers, and the outbreak of infectious diseases, such as the outbreak of the Middle East Respiratory Syndrome ("MERS") in May 2015, which resulted in the death of over 30 people and the quarantine of thousands;
- a decrease in tax revenue and a substantial increase in the Korean government's expenditures for pension and social welfare programs, due in part to an aging population (defined as the population of people aged 65 years or older) that accounts for 13.1% of the Republic's total population as of December 31, 2015, an increase from 7.2% as of December 31, 2000, and is expected to surpass 15% in 2020 and 20% in 2026, which could lead to the Korean government's budget deficit;
- increasing delinquencies and credit defaults by consumer and small- and medium-sized enterprise borrowers;
- decreases in the market prices of Korean real estate;
- the occurrence of severe health epidemics, including epidemics that affect the livestock industry; and
- deterioration resulting from territorial or trade disputes or disagreements in foreign policy (such as the ongoing controversy between Korea and China regarding the decision to allow the United States to deploy the Terminal High Altitude Area Defense system in Korea).

__Gross Domestic Product__

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. In March 2014, the Republic published a revised GDP calculation method by implementing the System of National Accounts 2008 and updating the reference year from 2005 to 2010 to align Korean national accounts statistics with the recommendations of the new international standards for compiling national economic accounts and to maintain comparability with other nations' accounts. The main components of these revisions include, among other things, (i) recognizing expenditures for research and development and creative activity for the products of entertainment, literary and artistic originals as fixed investment, (ii) incorporating a wide array of new and revised source data such as the economic census, the population and housing census and 2010 benchmark input-output tables, which provide thorough and detailed information on the structure of the Korean economy, (iii) developing supply-use tables, which provide a statistical tool for ensuring consistency among the production, expenditure and income approaches to measuring GDP and (iv) recording merchandise trade transactions based on ownership changes rather than movements of goods across the national border.

The following table sets out the composition of the Republic's GDP at current market and chained 2010 year prices and the annual average increase in the Republic's GDP.

Gross Domestic Product

	2012	2013	2014	2015	2016 (1)	As % of GDP 2016 (1)
			(billions of Won)			
Gross Domestic Product at Current Market Prices:						
Private	707,614.0	727,799.9	748,200.8	771,239.2	798,364.1	49.5
Government	204,324.2	214,467.3	224,724.2	234,766.4	249,118.3	15.2
Gross Capital Formation	427,028.5	416,000.3	435,078.1	452,315.1	478,283.5	28.5
Exports of Goods and Services	776,062.4	770,114.8	747,134.3	709,122.0	691,616.4	45.9
Less Imports of Goods and Services	(737,572.4)	(698,936.9)	(669,058.0)	(600,239.3)	(580,332.7)	(38.9)
Statistical Discrepancy	—	—	—	(3,079.4)	371.2	(0.1)
Expenditures on Gross Domestic Product	1,377,456.7	1,429,445.4	1,486,079.3	1,564,123.9	1,637,420.8	100.0
Net Factor Income from the Rest of the World	14,138.8	10,199.0	4,684.5	4,259.2	1,645.6	0.5
Gross National Income (2)	1,391,595.5	1,439,644.4	1,490,763.9	1,568,383.1	1,639,066.5	100.5
Gross Domestic Product at Chained 2010 Year Prices:						
Private	667,781.2	680,349.5	692,236.0	707,492.7	725,003.2	48.3
Government	193,473.5	199,783.4	205,869.2	212,021.6	221,179.1	14.5
Gross Capital Formation	409,639.9	409,153.8	430,685.5	462,114.3	486,549.4	31.4
Exports of Goods and Services	756,558.4	788,788.0	804,797.1	803,746.1	820,983.4	55.4
Less Imports of Goods and Services	(685,009.4)	(696,724.6)	(706,938.4)	(721,740.4)	(753,996.2)	(49.8)
Statistical Discrepancy	(142.1)	(172.8)	1,019.1	2,481.2	5,157.2	0.2
Expenditures on Gross Domestic Product (3)	1,341,966.5	1,380,832.6	1,426,972.4	1,466,788.3	1,508,265.0	100.0
Net Factor Income from the Rest of the World in the Terms of Trade	13,577.8	10,037.5	4,706.4	4,249.8	1,635.5	0.5
Trading Gains and Losses from Changes in the Terms of Trade	(33,075.1)	(19,138.8)	(14,000.4)	38,787.9	59,876.5	2.7
Gross National Income (4)	1,322,449.9	1,371,733.1	1,417,814.2	1,510,005.6	1,569,994.6	103.2
Percentage Increase (Decrease) of GDP over Previous Year At Current Prices	3.4	3.8	4.0	5.3	4.7	
At Chained 2010 Year Prices	2.3	2.9	3.3	2.8	2.8	

(1) Preliminary.
(2) GDP plus net factor income from the rest of the world is equal to the Republic's gross national income.
(3) Under the "chain-linked" measure of GDP, the components of GDP will not necessarily add to the total GDP.
(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 table sets out the Republic's GDP by economic sector at current market prices:

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

	2012	2013	2014	2015	2016 (1)	As % of GDP 2016 (1)
			(billions of Won)			
Industrial Sectors:	507,201.3	531,054.1	547,231.2	578,352.0	605,586.7	37.0
Agriculture, Forestry and Fisheries	30,775.1	30,437.2	31,560.3	32,612.2	32,665.0	2.0
Mining and Manufacturing	390,288.6	406,127.7	411,030.4	426,228.8	438,591.1	26.8
Mining and Quarrying	2,278.5	2,471.0	2,520.2	2,577.1	2,653.7	0.2
Manufacturing	388,010.1	403,656.7	408,510.2	423,651.7	435,937.4	26.6
Electricity, Gas and Water Supply	26,178.2	30,238.7	37,373.8	44,988.9	49,650.1	3.0
Construction	59,959.4	64,250.5	67,266.7	74,522.1	84,680.5	5.2
Services:	744,253.9	772,184.1	807,624.1	845,294.8	880,312.9	53.8
Wholesale and Retail Trade, Restaurants and Hotels	146,807.7	150,251.9	152,205.2	156,363.1	163,161.6	10.0
Transportation and Storage	43,570.7	46,772.0	50,306.8	56,154.6	59,667.5	3.6
Finance and Insurance	75,808.5	72,478.1	75,859.8	78,699.7	80,522.4	4.9
Real Estate and Leasing	98,923.6	103,527.1	109,549.0	114,618.7	118,152.9	7.2
Information and Communication	48,774.2	50,589.2	52,510.8	54,257.2	56,194.3	3.4
Business Activities	88,828.1	94,758.4	100,936.7	106,944.2	110,288.6	6.7
Public Administration and Defense	88,654.6	93,776.3	98,333.5	102,848.3	108,212.6	6.6
Education	68,546.3	71,599.3	74,007.8	76,237.2	78,155.2	4.8
Health and Social Work	50,031.3	52,851.5	57,129.7	61,980.4	67,793.6	4.1
Cultural and Other Services	34,309.0	35,580.3	36,784.7	37,191.4	38,164.2	2.3
Taxes Less Subsidies on Products	126,001.4	126,207.2	131,224.0	140,477.2	151,521.1	9.3
Gross Domestic Product at Current Market Prices	1,377,456.7	1,429,445.4	1,486,079.3	1,564,123.9	1,637,420.8	100.0
Net Factor Income from the Rest of the World	14,138.8	10,199.0	4,684.5	4,259.2	1,645.6	0.1
Gross National Income at Current Market Price	1,391,595.5	1,439,644.4	1,490,763.9	1,568,383.1	1,639,066.5	100.1

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

The following table sets out the Republic's GDP per capita:

Gross Domestic Product per capita
(at current market prices)

	2012	2013	2014	2015	2016 (1)
GDP per capita (thousands of Won)	27,439	28,346	29,284	30,660	31,952
GDP per capita (U.S. dollar)	24,350	25,886	27,805	27,097	27,533
Average Exchange Rate (in Won per U.S. dollar)	1,126.9	1,095.0	1,053.2	1,131.5	1,160.5

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

The following table sets out the Republic's Gross National Income, or GNI, per capita:

Gross National Income per capita
(at current market prices)

	2012	2013	2014	2015	2016 (1)
GNI per capita (thousands of Won)	27,721	28,548	29,377	30,744	31,984
GNI per capita (U.S. dollar)	24,600	26,070	27,892	27,171	27,561
Average Exchange Rate (in Won per U.S. dollar)	1,126.9	1,095.0	1,053.2	1,131.5	1,160.5

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

The following table sets out the Republic's GDP by economic sector at chained 2010 year prices:

Gross Domestic Product by Economic Sector
(at chained 2010 year prices)

	2012	2013	2014	2015	2016 (1)	As % of GDP 2016 (1)
			(billions of Won)			
Industrial Sectors:	494,500.8	510,804.1	527,016.1	538,722.4	554,831.7	36.8
Agriculture, Forestry and Fisheries	27,506.9	28,357.7	29,378.2	29,251.4	28,414.3	1.9
Mining and Manufacturing	385,853.1	399,773.1	413,839.1	421,057.7	430,686.2	28.6
Mining and Quarrying	2,170.5	2,347.1	2,344.40	2,314.5	2,352.3	0.2
Manufacturing	383,682.6	397,426.0	411,494.7	418,743.2	428,333.9	28.4
Electricity, Gas and Water Supply	26,710.3	26,629.2	27,327.9	28,722.1	29,754.4	2.0
Construction	54,430.5	56,044.1	56,470.9	59,691.2	65,976.8	4.4
Services:	718,906.2	739,463.1	763,853.5	786,394.3	805,071.2	53.4
Wholesale and Retail Trade, Restaurants and Hotels	141,698.2	145,620.3	149,150.5	152,013.0	156,069.4	10.3
Transportation and Storage	46,877.6	47,556.1	48,646.9	49,486.3	50,535.8	3.4
Finance and Insurance	75,547.3	78,583.9	83,020.5	88,568.7	90,584.9	6.0
Real Estate and Leasing	93,182.9	93,999.5	97,112.9	98,773.8	99,296.1	6.6
Information and Communication	50,199.3	52,773.2	55,164.8	56,532.2	58,151.0	3.9
Business Activities	83,352.8	87,244.6	91,424.0	95,713.9	97,695.3	6.5
Public Administration and Defense	82,940.5	85,024.5	87,052.8	88,495.2	90,554.2	6.0
Education	64,386.6	64,773.0	64,865.2	65,158.4	65,535.0	4.3
Health and Social Work	48,693.4	51,247.1	54,740.1	58,653.1	63,204.1	4.2
Cultural and Other Services	31,972.6	32,683.2	33,106.0	32,999.7	33,445.4	2.2
Taxes Less Subsidies on Products	128,708.4	130,627.4	136,454.6	142,688.3	149,066.7	9.9
Gross Domestic Product at Chained 2010 Year Prices(2)	1,341,966.5	1,380,832.6	1,426,972.4	1,466,788.3	1,508,265.0	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 2012 was 2.3% at chained 2010 year prices, as aggregate private and general government consumption expenditures increased by 2.2% and exports of goods and services increased by 5.1%, which more than offset a decrease in gross domestic fixed capital formation by 0.5% and an increase in imports of goods and services by 2.4%, each compared with 2011.

GDP growth in 2013 was 2.9% at chained 2010 year prices, as aggregate private and general government consumption expenditures increased by 2.2%, exports of goods and services increased by 4.3% and gross domestic fixed capital formation increased by 3.3%, which more than offset an increase in imports of goods and services by 1.7%, each compared with 2012.

GDP growth in 2014 was 3.3% at chained 2010 year prices, as aggregate private and general government consumption expenditures increased by 2.0%, exports of goods and services increased by 2.0% and gross domestic fixed capital formation increased by 3.4%, which more than offset an increase in imports of goods and services by 1.5%, each compared with 2013.

GDP growth in 2015 was 2.8% at chained 2010 year prices, as aggregate private and general government consumption expenditures increased by 2.4% and gross domestic fixed capital formation increased by 5.1%, which more than offset a decrease in exports of goods and services by 0.1% and an increase in imports of goods and services by 2.1%, each compared with 2014.

Based on preliminary data, GDP growth in 2016 was 2.8% at chained 2010 year prices, as aggregate private and general government consumption expenditures increased by 2.9%, gross domestic fixed capital formation increased by 5.2% and exports of goods and services increased by 2.1%, which more than offset an increase in imports of goods and services by 4.5%, each compared with 2015.

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
(2010 = 100)

	Index Weight (1)	2012	2013	2014	2015	2016 (2)
All Industries	10,000.0	107.4	108.2	108.4	108.1	109.2
Mining and Manufacturing	9,611.6	107.5	108.2	108.4	108.2	109.2
Mining	33.9	99.8	103.8	95.6	97.1	95.5
Petroleum, Crude Petroleum and Natural Gas	8.7	90.2	86.2	71.1	59.1	53.4
Metal Ores	0.9	108.5	98.4	99.9	78.9	75.0
Non-metallic Minerals	24.3	102.9	110.3	104.2	111.4	111.3
Manufacturing	9,577.7	107.5	108.2	108.5	108.2	109.3
Food Products	434.4	103.4	103.7	104.8	106.7	108.4
Beverage Products	82.4	108.2	108.8	110.0	113.2	115.7
Tobacco Products	43.2	105.6	96.5	103.9	96.3	109.0
Textiles	160.6	99.1	97.6	95.7	89.8	86.8
Wearing Apparel, Clothing Accessories and Fur Articles	145.2	97.9	93.6	87.8	84.4	81.9
Tanning and Dressing of Leather, Luggage and Footwear	42.1	98.2	111.5	110.0	103.9	104.3
Wood and Products of Wood and Cork (Except Furniture)	31.7	87.9	92.9	89.1	92.5	88.7
Pulp, Paper and Paper Products	126.8	102.7	105.1	106.9	105.7	108.3
Printing and Reproduction of Recorded Media	50.2	90.5	86.8	86.5	84.3	83.5
Coke, hard-coal and lignite fuel briquettes and Refined Petroleum Products	471.0	109.1	104.6	110.1	116.7	124.1
Chemicals and Chemical Products	847.5	106.6	110.9	111.8	114.3	118.0
Pharmaceuticals, Medicinal Chemicals and Botanical Products	144.1	101.2	103.2	104.6	106.7	113.5
Rubber and Plastic Products	421.1	106.4	109.9	110.7	110.6	108.9
Non-metallic Minerals	271.7	95.2	100.6	96.9	103.3	106.8
Basic Metals	827.6	106.8	106.0	109.9	108.1	110.0
Fabricated Metal Products	557.8	117.9	117.3	121.6	116.3	109.7
Electronic Components, Computer, Radio, Television and Communication Equipment and Apparatuses	1,794.3	109.7	113.6	111.6	113.1	118.7
Medical, Precision and Optical Instruments, Watches and Clocks	148.1	111.6	124.2	112.4	107.8	107.4
Electrical Equipment	479.5	98.8	97.0	98.8	95.6	96.6
Other Machinery and Equipment	803.6	107.0	102.7	103.1	99.9	98.0
Motor Vehicles, Trailers and Semitrailers	1,076.4	114.5	116.1	119.3	120.8	117.3
Other Transport Equipment	506.5	107.1	101.7	90.4	82.2	79.3
Furniture	69.5	98.2	97.2	104.2	110.0	109.7
Other Products	42.4	103.8	104.9	104.8	100.9	104.3
Electricity, Gas	388.4	106.4	106.8	107.5	106.8	107.8
Total Index	10,000.0	107.4	108.2	108.4	108.1	109.2

(1) Index weights were established on the basis of an industrial census in 2010 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 1.3% in 2012, primarily due to increased domestic consumption. Industrial production increased by 0.7% in 2013, primarily due to increased exports. Industrial production increased by 0.2% in 2014, primarily due to increased exports. Industrial production decreased by 0.3% in 2015, primarily due to decreased exports. Based on preliminary data, industrial production increased by 1.0% in 2016, primarily due to increased domestic consumption.

Manufacturing

The manufacturing sector increased production by 1.4% in 2012, primarily due to increased demand for consumer electronics products, electronic equipment and chemical products, by 0.7% in 2013, primarily due to increased demand for consumer electronics products, electronic equipment, chemical products, medical equipment and transport equipment, and by 0.3% in 2014, primarily due to increased demand for basic metals, machinery and equipment and motor vehicles, trailers and semitrailers. The manufacturing sector decreased production by 0.3% in 2015, primarily due to decreased demand for other transport equipment, fabricated metal products, other machinery and equipment, and basic metals. Based on preliminary data, the manufacturing sector increased production by 1.0% in 2016, primarily due to increased demand for consumer electronics products, electronic components, communication equipment and chemical products, which more than offset decreased demand for motor vehicles, trailers and semitrailers.

Automobiles. In 2012, automobile production decreased by 2.0%, domestic sales volume recorded a decrease of 4.3% and export sales volume recorded an increase of 0.6%, compared with 2011, primarily due to decreased domestic demand for automobiles. In 2013, automobile production decreased by 0.9%, domestic sales volume recorded a decrease of 2.0% and export sales volume recorded a decrease of 2.6%, compared with 2012, primarily due to decreased supply of automobiles resulting mainly from partial strikes by unionized workers of automobile manufacturers in August 2013 and the appreciation of the Won against the U.S. dollar and the Japanese Yen. In 2014, automobile production increased by 0.1% and domestic sales volume recorded an increase of 4.6%, compared with 2013, primarily due to increased domestic demand for recreational vehicles, and export sales volume recorded a decrease of 0.8%, compared with 2013, primarily due to decreased demand for automobiles in Eastern Europe and South America. In 2015, automobile production increased by 0.7% and domestic sales volume recorded an increase of 7.7%, compared with 2014, primarily due to continued increase in domestic demand for recreational vehicles, and export sales volume recorded a decrease of 2.9%, compared with 2014, primarily due to decreased demand for automobiles in China, Russia, Eastern Europe and South America. Based on preliminary data, in 2016, automobile production decreased by 7.2% and export sales volume recorded a decrease of 11.8%, compared with 2015, primarily due to the slowdown of the global economy, and domestic sales volume recorded an increase of 1.0%, compared with 2015, primarily due to the reduction of individual consumption tax on cars.

Electronics. In 2012, electronics production amounted to ₩314,558 billion, an increase of 0.1% from the previous year, primarily due to increased domestic demand for mobile phones and non-memory semiconductors, and exports amounted to US$155.2 billion, a decrease of 0.9% from the previous year, primarily due to adverse economic conditions in European countries. In 2012, export sales of semiconductor memory chips constituted approximately 9.2% of the Republic’s total exports. In 2013, electronics production amounted to ₩325,684 billion, an increase of 3.5% from the previous year, and exports amounted to US$169.4 billion, an increase of 9.1% from the previous year, primarily due to increases in demand for mobile phones in emerging markets and global demand for non-memory semiconductors. In 2013, export sales of semiconductor memory chips constituted approximately 10.2% of the Republic’s total exports. In 2014, electronics production amounted to ₩329,460 billion, an increase of 1.2% from the previous year, and exports amounted to US$173.9 billion, an increase of 2.7% from the previous year, primarily due to increases in demand for mobile phones and semiconductors. In 2014, export sales of semiconductor memory chips constituted approximately 10.9% of the Republic’s total exports. In 2015, electronics production amounted to ₩324,162 billion, a decrease of 1.6% from the previous year, and exports amounted to US$172.9 billion, a decrease of 0.6% from the previous year, primarily due to adverse global economic conditions and the expansion of overseas production. In 2015, export sales of semiconductor memory chips constituted approximately 11.9% of the Republic’s total exports. Based on preliminary data, in 2016, electronics production amounted to ₩306,331 billion, a decrease of 5.5% from the previous year, and exports amounted to US$162.5 billion, a decrease of 6.0% from the previous year, primarily due to continued adverse global economic conditions and the expansion of overseas production. In 2016, export sales of semiconductor memory chips constituted approximately 12.6% of the Republic’s total exports.

Iron and Steel. In 2012, crude steel production totaled 69.1 million tons, an increase of 0.9% from 2011, and domestic sales volume decreased by 4.1% but export sales volume increased by 4.8%, primarily due to adverse conditions in the domestic shipbuilding and construction industries. In 2013, crude steel production totaled

66.1 million tons, a decrease of 4.4% from 2012, and domestic sales volume and export sales volume decreased by 4.2% and 4.2%, respectively, primarily due to the appreciation of the Won against the U.S. dollar and the Japanese Yen and excess supply from China. In 2014, crude steel production totaled 71.5 million tons, an increase of 8.3% from 2013, and domestic sales volume and export sales volume increased by 7.3% and 10.5%, respectively, primarily due to the recovery of domestic and global demand for crude steel products. In 2015, crude steel production totaled 69.7 million tons, a decrease of 2.6% from 2014, and domestic sales volume increased by 0.5% but export sales volume decreased by 2.2% primarily due to excess supply from China and adverse conditions in the global shipbuilding and construction industries. Based on preliminary data, in 2016, crude steel production totaled 68.6 million tons, a decrease of 1.6% from 2015, and export sales volume decreased by 1.8%, primarily due to intensified export competition and adverse conditions in the global shipbuilding and construction industries, but domestic sales volume increased by 2.6%, primarily due to the recovery of the domestic construction industry.

Shipbuilding. In 2012, the Republic's shipbuilding orders amounted to approximately 8 million compensated gross tons, a decrease of 33.3% compared to 2011, primarily due to a downturn in the shipping and shipbuilding industry. In 2013, the Republic's shipbuilding orders amounted to approximately 19 million compensated gross tons, an increase of 137.5% compared to 2012, primarily due to increased demand for LNG carriers, bulk carriers and container carriers. In 2014, the Republic's shipbuilding orders amounted to approximately 13 million compensated gross tons, a decrease of 31.6% compared to 2013, primarily due to a downturn in the domestic and global shipbuilding industry. In 2015, the Republic's shipbuilding orders amounted to approximately 11 million compensated gross tons, a decrease of 15.4% compared to 2014, primarily due to the continued downturn in the domestic and global shipbuilding industry. Based on preliminary data, in 2016, the Republic's shipbuilding orders amounted to approximately 2 million compensated gross tons, a decrease of 81.8% compared to 2015, primarily due to the continued adverse conditions in the domestic and global shipbuilding industry.

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 as a result of the continued opening of the domestic agricultural market.

In 2012, rice production decreased 4.7% from 2011 to 4.0 million tons. In 2013, rice production increased 5.0% from 2012 to 4.2 million tons. In 2014, rice production remained at 4.2 million tons. In 2015, rice production increased 2.4% from 2014 to 4.3 million tons. In 2016, rice production decreased 2.3% from 2015 to 4.2 million tons. Due to limited crop yields resulting from geographical and physical constraints, the Republic depends on imports for certain basic foodstuffs.

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 2011, the agriculture, forestry and fisheries industry decreased by 2.1% compared to 2010 in terms of production, primarily due to unfavorable weather conditions, including heavy rains, during the summer and a decrease in fishing catch. In 2012, the agriculture, forestry and fisheries industry decreased by 0.6% compared to 2011, primarily due to unfavorable weather conditions, including severe typhoons, which more than offset an increase in the livestock industry. In 2013, the agriculture, forestry and fisheries industry increased by 3.1% compared to 2012, primarily due to an increase in the cultivation and livestock industry. In 2014, the agriculture, forestry and fisheries industry increased by 2.6% compared to 2013, primarily due to increases in the price of certain livestock items, which led to increases in production and the establishment of new agriculture and fishery companies. In 2015, the agriculture, forestry and fisheries industry decreased by 0.4% compared to 2014, primarily due to unfavorable weather conditions. Based on preliminary data, in 2016, the agriculture, forestry and fisheries industry decreased by 2.9% compared to 2015, primarily due to unfavorable weather conditions and a decrease in fishing catch.

Construction

In 2012, the construction industry decreased by 1.6% compared to 2011, primarily due to a decrease in the construction of residential buildings and port facilities. In 2013, the construction industry increased by 3.0% compared to 2012, primarily due to an increase in the construction of residential and commercial buildings. In 2014, the construction industry increased by 0.6% compared to 2013, primarily due to an increase in the construction of private residential buildings. In 2015, the construction industry increased by 5.7% compared to 2014, primarily due to an increase in the construction of private residential and commercial buildings. Based on preliminary data, in 2016, the construction industry increased by 10.5% compared to 2015, primarily due to an increase in the construction of private residential and commercial buildings.

Electricity and Gas

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

Dependence on Imports for Energy Consumption

	Total Primary Energy Supply	Imports	Imports Dependence Ratio
	(millions of tons of oil equivalents, except ratios)		
2012	278.7	267.6	96.0
2013	280.3	268.2	95.7
2014	282.9	269.3	95.2
2015	287.5	272.5	94.8
2016(1)	295.4	278.3	94.2

(1) Preliminary.
Source: Korea Energy Economics Institute; Korea National Statistical Office.

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 supplied in the Republic, expressed in oil equivalents and as a percentage of total energy consumption.

Primary Energy Supply by Source

	Coal		Petroleum		Nuclear		Others (1)		Total	
	Quantity	%	Quantity	%	Quantity	%	Quantity	%	Quantity	%
	(millions of tons of oil equivalents, except percentages)									
2012	81.1	29.1	106.2	38.1	31.8	11.4	59.6	21.4	278.7	100.0
2013	81.9	29.2	105.8	37.7	29.3	10.5	63.3	22.6	280.3	100.0
2014	84.6	29.9	104.9	37.1	33.0	11.7	60.4	21.4	282.9	100.0
2015	85.5	29.7	109.6	38.1	34.8	12.1	57.6	20.0	287.5	100.0
2016	81.6	27.6	117.8	39.9	34.2	11.6	61.8	20.9	295.4	100.0

(1) Includes natural gas, hydroelectric power and renewable energy.
Source: Korea Energy Economics Institute; The Bank of Korea.

The Republic's first nuclear power plant went into full operation in 1978 with a rated generating capacity of 587 megawatts. As of December 31, 2016, the Republic had 25 nuclear plants with a total estimated nuclear power generating capacity of 23,116 megawatts and nine nuclear plants under construction. In January 2014, the Ministry of Trade, Industry and Energy released its Second Energy Master Plan and revised the target proportion of nuclear supply in the Korea's energy supply mix from 41% by 2030 to a range from 22% to 29% by 2035. In addition, in July 2015, the Ministry of Trade, Industry and Energy approved the construction of two additional nuclear power plants, which together with previously announced plans to build nuclear power plants would bring the number of nuclear power plants to 36 by 2029. The Government plans to expand infrastructure to supply natural gas to households, pursue a long-term strategy of overseas energy development projects to ensure supply stability, increase clean and renewable energy and provide support for research and development pertaining to green technologies.

Services Sector

In 2012, the service industry increased by 2.7% compared to 2011 as the health and social work sector increased by 7.1%, the finance and insurance sector increased by 3.6% and the wholesale and retail trade, restaurants and hotels sector increased by 3.4%, each compared with 2011. In 2013, the service industry increased by 2.8% compared to 2012 as the business activities sector increased by 4.7%, the finance and insurance sector increased by 3.6% and the health and social work sector increased by 5.2%, each compared with 2012. In 2014, the service industry increased by 3.1% compared to 2013 as the health and social work sector increased by 7.5%, the finance and insurance sector increased by 5.7% and the business activities sector increased by 4.1%, each compared with 2013. In 2015, the service industry increased by 3.0% compared to 2014 as the finance and insurance sector increased by 6.7%, the business activities sector increased by 4.7% and the health and social work sector increased by 7.1%, each compared with 2014. Based on preliminary data, in 2016, the service industry increased by 2.4% compared to 2015 as the health and social work sector increased by 7.8%, the wholesale and retail trade, restaurants and hotels sector increased by 2.7% and the finance and insurance sector increased by 2.3%, each compared with 2015.

Prices, Wages and Employment

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

	Producer Price Index (1)	Increase (Decrease) Over Previous Year	Consumer Price Index (1)	Increase (Decrease) Over Previous Year	Wage Index (1) (2)	Increase (Decrease) Over Previous Year	Unemployment Rate (1) (3)
	(2010=100)	(%)	(2015=100)	(%)	(2010=100)	(%)	(%)
2012	107.5	0.7	96.8	2.2	109.1	8.8	3.2
2013	105.7	(1.6)	98.0	1.3	116.4	6.7	3.1
2014	105.2	(0.5)	99.3	1.3	122.9	5.6	3.5
2015	101.0	(4.0)	100.0	0.7	129.1	5.0	3.6
2016	99.0	(1.8)	101.0	1.0	N/A(4)	N/A(4)	3.7

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

In 2012, the inflation rate decreased to 2.2%, primarily due to weakened aggregate demand and the implementation of new policies, including free school lunches. In 2013, the inflation rate decreased to 1.3%, primarily due to increased supply of agricultural goods. In 2014, the inflation rate remained at 1.3%, primarily due to increases in the prices of electricity, gas, water supply, food products and education, which were offset by lower oil prices. In 2015, the inflation rate decreased to 0.7%, primarily due to lower oil prices. In 2016, the inflation rate increased to 1.0%, primarily due to increases in agricultural and livestock product prices and private service fees, which more than offset a decrease in oil prices.

In 2012, the unemployment rate decreased to 3.2%, primarily due to an increase in the number of workers employed in the service industry (including healthcare, social welfare and education). In 2013, the unemployment rate decreased to 3.1%, primarily due to the continued increase in the number of workers employed in the service industry. In 2014, the unemployment rate increased to 3.5%, primarily due to the sluggishness of the domestic economy. In 2015, the unemployment rate increased to 3.6%, primarily due to the continued sluggishness of the domestic economy. In 2016, the unemployment rate increased to 3.7%, primarily due to the continued sluggishness of the domestic economy.

From 1992 to 2009, the economically active population of the Republic increased by approximately 24.8% to 24.3 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 December 31, 2016, the economically active population of the Republic was 27.2 million and the number of employees was 26.2 million.

The following table shows selected employment information by industry and by gender:

	2012	2013	2014	2015	2016
	(all figures in percentages, except as indicated)				
Labor force (in thousands of persons)	24,681	25,066	25,599	25,936	26,235
Employment by Industry:					
Agriculture, Forestry and Fishing	6.2	6.1	5.7	5.2	4.9
Mining and Manufacturing	16.7	16.8	17.0	17.4	17.2
S.O.C & Services	77.1	77.2	77.4	77.5	77.9
Electricity, Transport, Communication and Finance	12.1	12.2	11.9	11.8	11.8
Business, Private & Public Service and Other Services	35.1	35.5	35.5	35.6	36.3
Construction	7.2	7.0	7.0	7.0	7.0
Wholesale & Retail Trade, Hotels and Restaurants	22.7	22.5	23.0	23.0	22.9
Total Employed	100.0	100.0	100.0	100.0	100.0
Employment by Gender:					
Male	58.3	58.1	58.0	57.7	57.6
Female	41.7	41.9	42.0	42.3	42.4
Total Employed	100.0	100.0	100.0	100.0	100.0

Source: The Bank of Korea

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 also adopted the five-day workweek on July 1, 2011.

Approximately 10.2% of the Republic's workers were unionized as of December 31, 2015. Labor unrest in connection with demands by unionized workers for better wages and working conditions and greater job security occur from time to time in the Republic. Some of the significant incidents in recent years include the following:

- In June 2012, unionized taxi drivers went on their first nationwide strike demanding fare increases and protesting against increased fuel costs.
- In August 2012, unionized workers of Hyundai Motor Company ("Hyundai Motor") went on a series of partial strikes demanding a higher bonus increase and the end of overnight shifts.
- In August 2013, unionized workers at Hyundai Motor and Kia Motors Corporation ("Kia Motors") went on partial strikes demanding higher wages.
- In December 2013, unionized workers at the state owned Korea Railroad Corporation ("Korail") went on strike against Korail's plan to establish a separate company to operate a new bullet train line fearing that such plan would eventually lead to privatization of Korail and layoffs of existing workers.
- In November 2014, unionized workers at Hyundai Heavy Industries went on a series of partial strikes demanding higher wages.
- In April 2015, tens of thousands of members of the Korean Confederation of Trade Unions, which includes teacher and civil servant union groups, went on general strike demanding that the Government scrap its plans to reform the labor market and pension program for public workers.
- In September 2016, unionized subway and railroad workers launched a joint nationwide strike, the first in 22 years, demanding that the Government scrap its proposed merit pay system for subway and railroad workers.

- In October 2016, unionized workers at Hyundai Motor went on full strike, the first in 12 years, demanding higher wages, while unionized workers at Kia Motors went on partial strike protesting the wage gap between workers at Kia Motors and workers at Hyundai Motor.

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 merged with The New People's Participation Party and changed its name to The Unified Progressive Party ("UPP") in December 2011. In October 2012, the UPP split and seven UPP members of the National Assembly and their supporters formed a new party, the Progressive Justice Party, which changed its name to the Justice Party in July 2013. In December 2014, the Constitutional Court ordered the dissolution of the UPP and the removal of the party's five lawmakers from the National Assembly for violating the Republic's Constitution after certain of its members were convicted of trying to instigate an armed rebellion and supporting North Korea. In the legislative general election held on April 13, 2016, the Justice Party won six seats in the National Assembly, and the members-elect began their four-year terms on May 30, 2016.

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 the FSCMA, under which various industry-based capital markets regulatory systems 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.

Prior to the effective date of the FSCMA, 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 FSCMA 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 FSCMA 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 FSCMA, derivative businesses conducted by securities companies and future companies are subject to the same regulations, at least in principle.

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

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, 2016, there were six nationwide banks, six regional banks and 37 foreign banks with branches operating in the Republic.

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;
- SuHyup Bank; and
- NongHyup Bank.

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 assets that more closely followed international standards.

The following table sets out the total loans (including loans in Won and loans in foreign currencies) and non-performing assets of Korean banks as of the dates indicated.

	Total Loans	Non-Performing Assets[(1)]	Percentage of Total
	(trillions of won)		(percentage)
December 31, 2012	1,390.9	18.5	1.3
December 31, 2013	1,441.6	25.7	1.8
December 31, 2014	1,557.9	24.2	1.6
December 31, 2015	1,664.3	30.0	1.8
December 31, 2016[(2)]	1,732.9	24.6	1.4

(1) Assets classified as substandard or below.

(2) Preliminary.

Source: Financial Supervisory Service.

In 2012, these banks posted an aggregate net profit of ₩8.7 trillion, compared to an aggregate net profit of ₩ 11.8 trillion in 2011, primarily due to a decrease in gain on sale of equity securities and an increase in impairment loss on available-for-sale securities. In 2013, these banks posted an aggregate net profit of ₩3.9 trillion, compared to an aggregate net profit of ₩8.7 trillion in 2012, primarily due to decreased net interest income and increased loan loss provisions. In 2014, these banks posted an aggregate net profit of ₩6.0 trillion, compared to an aggregate net profit of ₩3.9 trillion in 2013, primarily due to decreased loan loss provisions. In 2015, these banks posted an aggregate net profit of ₩3.4 trillion, compared to an aggregate net profit of ₩6.0 trillion in 2014, primarily due to increased loan loss provisions. Based on preliminary data, in 2016, these banks posted an aggregate net profit of ₩ 1.6 trillion, compared to an aggregate net profit of ₩3.4 trillion in 2015, primarily due to increased loan loss provisions.

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.

As of December 31, 2016, 79 mutual savings banks, 23 life insurance institutions, which includes joint venture life insurance institutions and wholly-owned subsidiaries of foreign life insurance companies, and eight credit card companies operated in the Republic.

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

On January 27, 2005, the Korea Exchange was established pursuant to the now repealed Korea Securities and Futures Exchange Act by consolidating the Korea Stock Exchange, the Korea Futures Exchange, the KOSDAQ Stock Market, Inc., or the KOSDAQ, and the KOSDAQ Committee of the Korea Securities Dealers Association, which had formerly managed the KOSDAQ. There are three major markets operated by the Korea Exchange: the KRX KOSPI Market, the KRX KOSDAQ Market, and the KRX Derivatives Market. The Korea Exchange has two trading floors located in Seoul, one for the KRX KOSPI Market and one for the KRX KOSDAQ Market, and one trading floor in Busan for the KRX Derivatives Market. The Korea Exchange is a joint stock company with limited liability, the shares of which are held by (i) financial investment companies that were formerly members of the Korea Futures Exchange or the Korea Stock Exchange and (ii) the stockholders of the KOSDAQ. Currently, the Korea Exchange is the only stock exchange in Korea and is operated by membership, having as its members Korean financial investment companies and some Korean branches of foreign financial investment companies.

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 29, 2011	1,825.7
January 31, 2012	1,955.8
February 29, 2012	2,030.3
March 31, 2012	2,014.0
April 30, 2012	1,982.0
May 31, 2012	1,843.5
June 29, 2012	1,854.0

July 31, 2012	1,882.0
August 31, 2012	1,905.1
September 28, 2012	1,996.2
October 31, 2012	1,912.1
November 30, 2012	1,932.9
December 28, 2012	1,997.1
January 31, 2013	1,961.9
February 28, 2013	2,026.5
March 29, 2013	2,004.9
April 30, 2013	1,964.0
May 30, 2013	2,001.1
June 28, 2013	1,863.3
July 31, 2013	1,914.0
August 30, 2013	1,926.4
September 30, 2013	1,997.0
October 31, 2013	2,030.1
November 29, 2013	2,044.9
December 30, 2013	2,011.3
January 29, 2014	1,941.2
February 28, 2014	1,980.0
March 31, 2014	1,985.6
April 30, 2014	1,961.8
May 30, 2014	1,995.0
June 30, 2014	2,002.2
July 31, 2014	2,076.1
August 29, 2014	2,068.5
September 30, 2014	2,020.1
October 31, 2014	1,964.4
November 28, 2014	1,980.8
December 31, 2014	1,915.6
January 30, 2015	1,949.3
February 27, 2015	1,985.8
March 31, 2015	2,041.0
April 30, 2015	2,127.2
May 29, 2015	2,114.8
June 30, 2015	2,074.2
July 31, 2015	2,030.2
August 29, 2015	1,941.5
September 30, 2015	1,962.8
October 30, 2015	2,029.5
November 30, 2015	1,992.0
December 30, 2015	1,960.3
January 29, 2016	1,912.1
February 29, 2016	1,916.7
March 31, 2016	1,995.8
April 29, 2016	1,994.2
May 31, 2016	1,983.4
June 30, 2016	1,970.4
July 29, 2016	2,016.2
August 31, 2016	2,034.7
September 30, 2016	2,043.6
October 31, 2016	2,008.2
November 30, 2016	1,983.5
December 29, 2016	2,026.5
January 31, 2017	2,067.6

February 28, 2017	2,091.6
March 31, 2017	2,160.2
April 28, 2017	2,205.4

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 2,064.9 in late 2007. As liquidity and credit concerns and volatility in the global financial markets increased significantly since September 2008, there was a significant overall decline in the stock prices of Korean companies during the fourth quarter of 2008 and first half of 2009 and the index has fluctuated since then. The index was 2,296.4 on May 11, 2017.

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 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 per person regardless of the amount deposited.

The Government 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 gradually 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 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. On July 9, 2010, The Bank of Korea raised the policy rate to 2.25% from 2.0%, which was further raised to 2.5% on November 16, 2010, in response to signs of inflationary pressures and the continued growth of domestic economy. On January 13, 2011, The Bank of Korea raised the policy rate to 2.75%, which was further increased to 3.0% on March 10, 2011 and to 3.25% on June 10, 2011, in response to inflationary pressures driven mainly by rises in the prices of petroleum products and farm products. The Bank of Korea lowered its policy rate to 3.0% from 3.25% on July 12, 2012, which was further lowered to 2.75% on October 11, 2012, 2.5% on May 9, 2013, 2.25% on August 14, 2014, 2.0% on October 15, 2014, 1.75% on March 12, 2015, 1.5% on June 11, 2015 and 1.25% on June 9, 2016, in order to address the sluggishness of the global and 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,				
	2012	2013	2014	2015	2016
			(billions of Won)		
Money Supply (M1) (1)	470,010.6	515,643.4	585,822.6	708,452.9	795,531.1
Quasi-money (2)	1,365,631.0	1,405,151.6	1,491,411.4	1,538,922.1	1,611,928.0
Money Supply (M2) (3)	1,835,641.6	1,920,795.0	2,077,234.0	2,247,375.0	2,407,459.1
Percentage Increase Over Previous Year	4.8%	4.6%	8.1%	8.2%	7.1%

(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.
(3) Money Supply (M2) is the sum of Money Supply (M1) and quasi-money.
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 has subsequently been amended numerous times. 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.

In January 2010, the Financial Supervisory Services released *FX Derivative Transactions Risk Management Guideline* to prevent over-hedging of foreign exchange risk by corporate investors. According to the guideline as amended in July 2010, if a corporate investor, other than a financial institution or a public enterprise, wishes to enter into a foreign exchange forward, option or swap agreement with a bank, the bank is required to verify whether the corporate investor's assets, liabilities or contracts face foreign exchange risks that could be mitigated by a foreign exchange forward, option or swap agreement. In addition, the bank is required to ensure that the corporate investor's risk hedge ratio, which is the ratio of the aggregate notional amount to the aggregate amount of risk, does not exceed 100%.

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:

	Won/U.S. Dollar Exchange Rate
December 30, 2011	1,153.3
January 31, 2012	1,125.0
February 29, 2012	1,126.5
March 30, 2012	1,137.8
April 30, 2012	1,134.2
May 31, 2012	1,177.8
June 29, 2012	1,153.8
July 31, 2012	1,136.2
August 31, 2012	1,134.6
September 28, 2012	1,118.6
October 31, 2012	1,094.1
November 30, 2012	1,084.7
December 31, 2012	1,071.1
January 31, 2013	1,082.7
February 28, 2013	1,085.4
March 29, 2013	1,112.1
April 30, 2013	1,108.1
May 31, 2013	1,128.3
June 28, 2013	1,149.7
July 31, 2013	1,113.6
August 31, 2013	1,110.9
September 30, 2013	1,075.6
October 31, 2013	1,061.4
November 29, 2013	1,062.1
December 31, 2013	1,055.3
January 29, 2014	1,079.2
February 28, 2014	1,067.7
March 31, 2014	1,068.8
April 30, 2014	1,031.7
May 30, 2014	1,021.6
June 30, 2014	1,014.4

	Won/U.S. Dollar Exchange Rate
July 31, 2014	1,024.3
August 29, 2014	1,013.6
September 30, 2014	1,050.6
October 31, 2014	1,054.0
November 28, 2014	1,101.1
December 31, 2014	1,099.2
January 30, 2015	1,090.8
February 27, 2015	1,099.2
March 31, 2015	1,105.0
April 30, 2015	1,068.1
May 29, 2015	1,108.0
June 30, 2015	1,124.1
July 31, 2015	1,166.3
August 31, 2015	1,176.3
September 30, 2015	1,194.5
October 30, 2015	1,142.3
November 30, 2015	1,150.4
December 31, 2015	1,172.0
January 29, 2016	1,208.4
February 29, 2016	1,235.4
March 31, 2016	1,153.5
April 29, 2016	1,143.9
May 31, 2016	1,190.6
June 30, 2016	1,164.7
July 31, 2016	1,125.7
August 31, 2016	1,118.5
September 30, 2016	1,096.3
October 31, 2016	1,145.2
November 30, 2016	1,168.5
December 30, 2016	1,208.5
January 31, 2017	1,157.8
February 28, 2017	1,132.1
March 31, 2017	1,116.1
April 28, 2017	1,130.1

Prior to November 1997, the Government had 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 appreciated against the U.S. dollar until 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 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 ₩1,134.5 to US$1.00 on May 11, 2017.

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(1)

Classification	2012	2013	2014	2015	2016 (4)
			(millions of dollars)		
Current Account	50,835.0	81,148.2	84,373.0	105,939.6	98,677.4
Goods	49,406.0	82,781.0	88,885.4	122,269.2	120,445.7
Exports (2)	603,509.2	618,156.9	613,020.6	542,881.2	511,776.1
Imports (2)	554,103.2	535,375.9	524,135.2	420,612.0	391,330.4
Services	(5,213.6)	(6,499.2)	(3,678.5)	(14,916.8)	(17,608.0)
Income	12,116.7	9,055.7	4,150.8	3,572.4	1,459.3
Current Transfers	(5,474.1)	(4,189.3)	(4,984.7)	(4,985.2)	(5,619.6)
Capital and Financial Account	51,540.7	80,077.6	89,325.1	106,239.0	100,349.0
Capital Account	(41.7)	(27.0)	(8.9)	(60.2)	(36.6)
Financial Account (3)	51,582.4	80,104.6	89,334.0	106,299.2	100,385.6
Net Errors and Omissions	789.1	(1,016.6)	4,969.9	419.8	1,744.8

(1) Figures are prepared based on the sixth edition of Balance of Payment Manual, or BPM6, published by International Monetary Fund in December 2010 and implemented by the Government in December 2013.
(2) 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.
(3) Includes borrowings from the IMF, syndicated bank loans and short-term borrowings.
(4) Preliminary.
Source: The Bank of Korea.

The Republic recorded a current account surplus of approximately US$105.9 billion in 2015. The current account surplus in 2015 increased from the current account surplus of US$84.4 billion in 2014, primarily due to an increase in surplus from the goods account which more than offset an increase in deficit from the services account. Based on preliminary data, the Republic recorded a current account surplus of approximately US$98.7 billion in 2016. The current account surplus in 2016 decreased from the current account surplus of US$105.9 billion in 2015, primarily due to a decrease in surplus from the goods account and an increase in deficit from the service account.

Foreign Direct Investment

Since 1960, the Government has adopted a broad range of related laws, administrative rules and regulations, providing a framework for the conduct and regulation of foreign investment activities. In September 1998, the Government promulgated the Foreign Investment Promotion Act, or the FIPA, which replaced previous foreign direct investment related laws, rules and regulations, to promote inbound foreign investments by providing incentives to, and facilitating investment activities in the Republic by, foreign nationals. The FIPA prescribes, among others, procedural requirements for inbound foreign investments, incentives for foreign investments such as tax reductions, and requirements relating to designation and development of foreign investment target regions. The Government believes that providing a stable and receptive environment for foreign direct investment will accelerate the inflow of foreign capital, technology and management techniques.

The following table sets forth information regarding annual foreign direct investment in the Republic for the periods indicated.

Foreign Direct Investment

	2012	2013	2014	2015	2016
			(billions of dollars)		
Contracted and Reported Investment					
Greenfield Investment[1]	12.5	9.6	11.0	14.1	15.0
Merger & Acquisition	3.8	5.0	8.0	6.8	6.3
Total	16.3	14.5	19.0	20.9	21.3
Actual Investment	10.7	9.9	12.1	16.5	10.4[2]

(1) Includes building new factories and operational facilities.
(2) Preliminary.
Source: Ministry of Trade, Industry and Energy

In 2016, the contracted and reported amount of foreign direct investment in the Republic increased to US$21.3 billion from US$20.9 billion in 2015, primarily due to an increase in foreign investment in (i) the service sector to US$15.5 billion in 2016 from US$14.7 billion in 2015 and (ii) the manufacturing sector to US$5.1 billion in 2016 from US$4.6 billion in 2015, which more than offset a decrease in foreign investment in the electricity, gas and construction sector to US$0.6 billion in 2016 from US$1.6 billion in 2015.

The following table sets forth information regarding the source of foreign direct investment by region and country for the periods indicated:

Foreign Direct Investment by Region and Country

	2012	2013	2014	2015	2016
			(billions of dollars)		
North America					
U.S.A	3.7	3.5	3.6	5.5	3.9
Others	0.7	1.1	1.4	2.9	1.4
	4.4	4.6	5.0	8.4	5.3
Asia					
Japan	4.5	2.7	2.5	1.7	1.2
Hong Kong	1.7	1.0	1.1	1.5	2.1
Singapore	1.4	0.4	1.7	2.5	2.3
China	0.7	0.5	1.2	2.0	2.0
Others	0.5	0.4	0.3	0.7	0.5
	8.8	5.0	6.8	8.4	8.1
European Union					
Malta	0.3	1.8	0.4	0.7	4.1
Netherlands	0.6	0.6	2.4	0.5	1.5
England	0.4	0.1	0.4	0.3	0.4
Germany	0.4	0.4	0.2	0.5	0.3
France	0.2	0.5	0.2	0.1	0.2
Luxembourg	0.2	0.7	1.9	0.2	0.2
Others	0.9	0.8	1.2	0.4	0.8
	3.0	4.9	6.7	2.7	7.5
Others regions and countries	0.1	0.0	0.5	1.4	0.4
Total	16.3	14.5	19.0	20.9	21.3

Source: Ministry of Trade, Industry and Energy

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]	As % of GDP[2]	Imports[3]	As % of GDP[2]	Balance of Trade	Exports as % of Imports
	(billions of dollars, except percentages)					
2012	547.9	46.0%	519.6	43.6%	28.3	105.4
2013	559.6	44.4%	515.6	40.9%	44.0	108.5
2014	572.7	44.1%	525.5	40.5%	47.2	109.0
2015	526.8	42.1%	436.5	34.9%	90.3	120.7
2016[4]	495.4	39.7%	406.2	32.5%	89.2	122.0

(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) At chained 2010 year prices.
(3) 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.
(4) Preliminary.
Source: The Bank of Korea; Korea Customs Service.

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]

	2012	As % of 2012 Total	2013	As % of 2013 Total	2014	As % of 2014 Total	2015	As % of 2015 Total	2016[2]	As % of 2016 Total[2]
	(billions of dollars, except percentages)									
Foods & Consumer Goods	6.8	1.2	6.7	1.1	7.0	1.2	6.8	1.3	7.4	1.5
Raw Materials and Fuels	65.4	11.9	61.2	10.9	59.2	10.3	39.5	7.5	33.0	6.7
Petroleum & Derivatives	56.6	10.3	53.2	9.5	51.2	8.9	32.4	6.1	26.8	5.4
Others	8.8	1.6	8.0	1.4	8.0	1.4	7.1	1.3	6.2	1.3
Light Industrial Products	40.5	7.4	39.0	6.9	38.6	6.7	35.4	6.7	35.4	7.1
Heavy & Chemical Industrial Products	435.2	79.3	452.8	77.8	467.9	81.7	445.1	84.5	419.7	84.7
Electronic & Electronic Products	156.0	28.5	171.2	30.6	174.4	30.5	170.5	32.4	159.4	32.2
Chemicals & Chemical Products	59.6	10.9	64.4	11.5	65.6	11.5	55.9	10.6	55.3	11.2
Metal Goods	47.2	8.6	43.6	7.8	47.5	8.3	41.4	7.9	39.9	8.1
Machinery & Precision Equipment	55.7	10.2	55.3	9.9	57.9	10.1	57.3	10.9	55.2	11.1
Transport Equipment	112.1	20.5	113.1	20.2	116.5	20.3	112.8	21.4	101.0	20.4
Passenger Cars	42.4	7.7	44.3	7.9	44.8	7.8	41.7	7.9	37.5	7.6
Ship & Boat	38.2	7.0	36.2	6.5	38.7	6.8	38.8	7.4	33.5	6.8
Others	31.5	5.7	32.6	5.8	33.0	5.8	32.3	6.1	30.0	6.1
Others	4.6	0.8	5.2	0.9	6.0	1.0	7.2	1.4	8.9	1.8
Total	547.9	100.0	559.6	100.0	572.7	100.0	526.8	100.0	495.4	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; Korea Customs Service.

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

	2012	As % of 2012 Total	2013	As % of 2013 Total	2014	As % of 2014 Total	2015	As % of 2015 Total	2016(2)	As % of 2016 Total(2)
	(billions of dollars, except percentages)									
Industrial Materials and Fuels	325.1	62.6	313.8	60.9	311.2	59.2	219.0	50.2	191.0	47.0
Crude Petroleum	108.3	20.8	99.4	19.3	94.9	18.1	55.1	12.6	44.3	10.9
Mineral	28.3	5.4	24.7	4.8	24.6	4.7	17.6	4.0	15.5	3.8
Chemicals	43.8	8.4	43.2	8.4	43.9	8.4	39.6	9.1	39.1	9.6
Iron & Steel Products	26.4	5.1	24.6	4.8	27.0	5.1	21.2	4.9	18.9	4.7
Non-ferrous Metal	12.6	2.4	12.5	2.4	12.8	2.4	11.6	2.7	10.7	2.6
Others	105.7	20.3	109.4	21.2	108.0	20.5	74.0	16.9	62.5	15.4
Capital Goods	140.3	27.0	144.2	28.0	149.0	28.3	150.8	34.5	147.8	36.4
Machinery & Precision Equipment	49.8	9.6	50.1	9.7	50.8	9.7	49.1	11.2	47.8	11.8
Electric & Electronic Machines	76.3	14.7	80.9	15.7	84.5	16.1	87.5	20.0	84.9	20.9
Transport Equipment	12.1	2.3	11.3	2.2	11.6	2.2	12.4	2.8	13.0	3.2
Others	2.1	0.4	1.9	0.4	2.1	0.4	1.9	0.4	2.1	0.5
Consumer Goods	54.2	10.4	58.2	11.3	65.3	12.4	66.7	15.3	67.4	16.6
Cereals	7.9	1.5	8.5	1.6	7.9	1.5	6.9	1.6	6.2	1.5
Goods for Direct Consumption	14.3	2.8	14.5	2.8	16.7	3.2	17.1	3.9	17.8	4.4
Consumer Durable Goods	19.4	3.7	21.0	4.1	24.7	4.7	26.6	6.1	27.0	6.6
Consumer Nondurable Goods	12.6	2.4	14.3	2.8	16.0	3.0	16.0	3.7	16.4	4.0
Total	519.6	100.0	515.6	100.0	525.5	100.0	436.5	100.0	406.2	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; Korea Customs Service.

In 2012, the Republic recorded a trade surplus of US$28.3 billion. Exports decreased by 1.3% to US$547.9 billion in 2012 from US$555.2 billion in 2011, primarily due to adverse economic conditions in European countries. Imports decreased by 0.9% to US$519.6 billion in 2012 from US$524.4 billion in 2011, primarily due to decreased investment spending.

In 2013, the Republic recorded a trade surplus of US$44.1 billion. Exports increased by 2.1% to US$559.7 billion in 2013 from US$547.9 billion in 2012, primarily due to increased demand for wireless communication devices, semiconductors and other information technology related products from the United States, China and the Southeast Asian nations. Imports decreased by 0.8% to US$515.6 billion in 2013 from US$519.6 billion in 2012, primarily due to decreased imports of oil, iron and steel.

In 2014, the Republic recorded a trade surplus of US$47.2 billion. Exports increased by 2.3% to US$572.7 billion in 2014 from US$559.6 billion in 2013, primarily due to increased demand for semiconductors, wireless communication devices, iron and steel from the United States, the EU and the Southeast Asian nations. Imports increased by 1.9% to US$525.5 billion in 2014 from US$515.6 billion in 2013, primarily due to increased imports of cars, components for wireless communication devices and beef.

In 2015, the Republic recorded a trade surplus of US$90.3 billion in 2015. Exports decreased by 8.0% to US$526.8 billion in 2015 from US$572.7 billion in 2014, primarily due to adverse global economic conditions.

Imports decreased by 16.9% to US$436.5 billion in 2015 from US$525.5 billion in 2014, primarily due to a decrease in oil prices, which also decreased unit prices of major raw materials.

Based on preliminary data, the Republic recorded a trade surplus of US$89.2 billion in 2016. Exports decreased by 6.0% to US$495.4 billion in 2016 from US$526.8 billion in 2015, primarily due to the continued slowdown of the global economy. Imports decreased by 6.9% to US$406.2 billion in 2016 from US$436.5 billion in 2015, primarily due to a continued decrease in oil prices, which also led to decreased unit prices of major raw materials.

The following table sets forth the Republic's exports trading partners:

Exports

	2012	As % of 2012 Total	2013	As % of 2013 Total	2014	As % of 2014 Total	2015	As % of 2015 Total	2016(1)	As % of 2016 Total(1)
	(millions of dollars, except percentages)									
China	134,322.6	24.5	145,869.5	26.1	145,287.7	25.4	137,123.9	26.0	124,432.9	25.1
United States	58,524.6	10.7	62,052.5	11.1	70,284.9	12.3	69,832.1	13.3	66,462.3	13.4
Japan	38,796.1	7.1	34,662.3	6.2	32,183.8	5.6	25,576.5	4.9	24,355.0	4.9
Hong Kong	32,606.2	6.0	27,756.3	5.0	27,256.4	4.8	30,418.2	5.8	32,782.4	6.6
Singapore	22,887.9	4.2	22,289.0	4.0	23,749.9	4.1	15,011.2	2.8	12,458.9	2.5
Vietnam	15,946.0	2.9	21,087.6	3.8	22,351.7	3.9	27,770.8	5.3	32,630.5	6.6
Taiwan	14,814.9	2.7	15,699.1	2.8	15,077.4	2.6	12,004.3	2.3	12,220.5	2.5
India	11,922.0	2.2	11,375.8	2.0	12,782.5	2.2	12,029.6	2.3	11,596.3	2.3
Indonesia	13,955.0	2.5	11,568.2	2.1	11,360.7	2.0	7,872.4	1.5	6,608.5	1.3
Mexico	9,042.4	1.7	9,727.4	1.7	10,846.0	1.9	10,891.9	2.1	9,720.8	2.0
Australia	9,250.5	1.7	9,563.1	1.7	10,282.5	1.8	10,830.6	2.1	7,500.7	1.5
Russia	11,097.1	2.0	11,149.1	2.0	10,129.2	1.8	4,685.7	0.9	4,768.8	1.0
Germany	7,509.7	1.4	7,907.9	1.4	7,570.9	1.3	6,220.2	1.2	6,443.0	1.3
Others (2)	167,194.8	30.5	168,924.6	30.2	173,501.0	30.3	156,489.1	29.7	143,445.3	29.0
Total	547,869.8	100.0	559,632.4	100.0	572,664.6	100.0	526,756.5	100.0	495,425.9	100.0

(1) Preliminary.
(2) Includes more than 200 countries and regions.
Source: The Bank of Korea; Korea Customs Service.

The following table sets forth the Republic's imports trading partners:

Imports

	2012	As % of 2012 Total	2013	As % of 2013 Total	2014	As % of 2014 Total	2015	As % of 2015 Total	2016[(1)]	As % of 2016 Total[(1)]
				(millions of dollars, except percentages)						
China	80,784.6	15.5	83,052.9	16.1	90,082.2	17.1	90,250.3	20.7	86,980.1	19.9
Japan	64,363.1	12.4	60,029.4	11.6	53,768.3	10.2	45,853.8	10.5	47,466.6	10.9
United States	43,341.0	8.3	41,511.9	8.1	45,283.3	8.6	44,024.4	10.1	43,215.9	9.9
Saudi Arabia	39,707.1	7.6	37,665.2	7.3	36,694.5	7.0	19,561.5	4.5	15,741.7	3.6
Qatar	25,504.7	4.9	25,873.8	5.0	25,723.1	4.9	16,474.8	3.8	10,081.3	2.3
Australia	22,987.9	4.4	20,784.6	4.0	20,413.0	3.9	16,437.8	3.8	15,175.9	3.5
Germany	17,645.4	3.4	19,336.0	3.8	21,298.8	4.0	20,956.5	4.8	18,917.0	4.3
Kuwait	18,297.1	3.5	18,725.1	3.6	16,892.0	3.2	8,973.4	2.1	7,262.3	1.7
Taiwan	14,012.0	2.7	14,632.6	2.8	15,689.8	3.0	16,653.9	3.8	16,403.1	3.8
United Arab Emirates	15,115.3	2.9	18,122.9	3.5	16,194.3	3.1	8,614.7	2.0	6,941.1	1.6
Indonesia	15,676.3	3.0	13,190.0	2.6	12,266.3	2.3	8,850.4	2.0	8,285.3	1.9
Malaysia	9,796.4	1.9	11,095.8	2.2	11,097.9	2.1	8,609.4	2.0	7,507.8	1.7
Others [(2)]	152,353.6	29.3	151,565.3	29.4	160,111.0	30.5	131,238.1	30.1	152,520.9	34.9
Total	519,584.5	100.0	515,585.5	100.0	525,514.5	100.0	436,499.0	100.0	436,499.0	100.0

(1) Preliminary.
(2) Includes more than 200 countries and regions.
Source: The Bank of Korea; Korea Customs Service.

In the past, the outbreak of severe health epidemics in Korea and various 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. In response to these outbreaks, the Government issued advisories on disease prevention and conducted special monitoring. In May 2015, an outbreak of Middle East Respiratory Syndrome, or MERS, resulted in the death of over 30 people and the quarantine of thousands. The Government continues to cooperate with regional and international efforts to develop and implement additional measures to contain and prevent MERS and other diseases. Another outbreak of MERS or similar incidents in the future, however, may have an adverse effect on Korean and world economies and on international trade.

In recent years, the value of the Won relative to the U.S. dollar and Japanese Yen has fluctuated widely. An appreciation of the Won against the U.S. dollar and Japanese Yen increases the Won value of the Republic's export sales and diminishes the price-competitiveness of export goods in foreign markets in U.S. dollar and Japanese Yen terms, respectively. However, it also decreases the cost of imported raw materials in Won terms and the cost in Won of servicing the Republic's U.S. dollar and Japanese Yen denominated debt. In general, when the Won appreciates, export dependent sectors of the Korean economy, including automobiles, electronics and shipbuilding, suffer from the resulting pressure on the price-competitiveness of export goods, which may lead to reduced profit margins and loss in market share, more than offsetting a decrease in the cost of imported raw materials. If the export dependent sectors of the Korean economy suffer reduced profit margins or a net loss, it could result in a material adverse effect on the Korean economy.

Since the Government announced its plans to pursue free trade agreements, or FTAs, in 2003, the Republic has entered into FTAs with key trading partners. The Republic has had bilateral FTAs in effect with Chile since 2004, Singapore since 2006, India since 2010, Peru since 2011, the United States since 2012, Turkey since 2013, Australia since 2014, Canada, China, New Zealand and Vietnam since 2015 and Colombia since July 2016. In March 2017, the Republic signed a regional FTA with each of Panama, Costa Rica, Guatemala, Honduras, El Salvador and Nicaragua. The Republic is currently in negotiations with a number of other key trading partners. In addition, the Republic has had regional FTAs in effect with the European Free Trade Association since 2006, the Association of Southeast Asian Nations since 2009 and the European Union since 2011 and is currently negotiating additional regional FTAs, including one with China and Japan.

Non-Commodities Trade Balance

The Republic had a non-commodities trade surplus of US$1.4 billion in 2012, a non-commodities trade deficit of US$1.6 billion in 2013, a non-commodities trade deficit of US$4.5 billion in 2014 and a non-commodities trade deficit of US$16.3 billion in 2015. Based on preliminary data, the Republic had a non-commodities trade deficit of US$21.8 billion in 2016.

Foreign Currency Reserves

The foreign currency reserves are external assets that are readily available to and controlled by monetary authorities for meeting balance of payments financing needs and for other related purposes. The following table shows the Republic's total official foreign currency reserves:

Total Official Reserves

	December 31,				
	2012	2013	2014	2015	2016
			(millions of dollars)		
Gold	$ 3,761.4	$ 4,794.5	$ 4,794.7	$ 4,794.7	$ 4,794.7
Foreign Exchange (1)	316,897.7	335,647.5	353,600.5	358,513.8	361,701.4
Total Gold and Foreign Exchange	320,659.1	340,442.0	358,395.2	363,308.5	366,496.1
Reserve Position at IMF	2,783.6	2,527.7	1,917.1	1,411.8	1,727.5
Special Drawing Rights	3,525.6	3,489.9	3,280.5	3,241.4	2,878.0
Total Official Reserves	$ 326,968.4	$ 346,459.6	$ 363,592.7	$ 367,961.9	$ 371,101.6

(1) More than 95% of the Republic's foreign currency reserves are comprised of convertible foreign currencies.
Source: The Bank of Korea; International Monetary Fund

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. The Government's foreign currency reserves increased to US$306.4 billion as of December 31, 2011, US$327.0 billion as of December 31, 2012, US$346.5 billion as of December 31, 2013, US$363.6 billion as of December 31, 2014, US$368.0 billion as of December 31, 2015 and US$371.1 billion as of December 31, 2016, primarily due to continued trade surpluses and capital inflows. The amount of the Government's foreign currency reserve was US$375.3 billion as of March 31, 2017.

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 Government must submit the budget, which is drafted by the Minister of Strategy and Finance and approved by the President of the Republic, 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.

2015 budgeted revenues increased by 2.2% to ₩346.4 trillion from ₩338.9 trillion in 2014, led by an increase in budgeted tax revenues (including revenues from income tax, value added tax and social security contributions). 2015 budgeted expenditures and net lending increased by 8.6% to ₩353.4 trillion from ₩ 325.4 trillion in 2014, led by increases in budgeted expenditures on economic growth, social security, public assistance, military services and welfare services for senior citizens, unemployed people and temporary workers. The 2015 budget anticipated a ₩7.0 billion budget deficit.

2016 budgeted revenues increased by 6.8% to ₩369.9 trillion from ₩346.4 trillion in 2015, led by an increase in budgeted tax revenues (including revenues from social security contributions and income tax). 2016 budgeted expenditures and net lending increased by 4.0% to ₩367.4 trillion from ₩353.4 trillion in 2015, led by increases in budgeted expenditures on economic growth (including research and development), welfare services for senior citizens, unemployed people and temporary workers, promotion of cultural industries, military services, public assistance, child care and education. The 2016 budget anticipated a ₩2.5 billion budget surplus.

2017 budgeted revenues increased by 3.4% to ₩382.4 trillion from ₩369.9 trillion in 2016, led by an increase in budgeted tax revenues (including revenues from social security contributions, taxes on goods and services and taxes on income, profits and capital gains). 2017 budgeted expenditures and net lending increased by 0.3% to ₩368.6 trillion from ₩367.4 trillion in 2016, led by increases in budgeted expenditures on welfare services for senior citizens, children, unemployed people and temporary workers, military services, infrastructure and community development. The 2017 budget anticipated a ₩13.8 billion budget surplus.

The following table shows consolidated Government revenues and expenditures:

Consolidated Central Government Revenues and Expenditures

	Actual					Budget		
	2012	2013	2014	2015	2016	2015	2016	2017
	(billions of Won)							
Total Revenues	311,456	314,438	320,895	339,186	371,264	346,421	369,913	382,359
Current Revenues	307,754	311,136	318,185	335,911	367,888	341,919	365,782	378,560
Total Tax Revenues	246,918	248,046	255,313	270,974	299,451	271,176	293,269	304,271
Taxes on income, profits and capital gains	91,699	91,674	95,976	105,751	120,612	102,920	114,680	119,641
Social security contributions	43,904	46,140	49,793	53,089	56,889	55,441	60,530	62,010
Tax on property	8,832	8,591	9,054	11,113	11,112	10,328	10,303	10,875
Taxes on goods and services	77,811	77,642	79,055	79,442	89,221	80,437	86,549	89,258
Taxes on international trade and transaction	9,816	10,562	8,721	8,495	8,045	8,553	8,292	8,991
Other tax	14,857	13,438	12,715	13,084	13,571	13,498	12,915	13,498
Non-Tax Revenues	60,836	63,089	62,872	64,936	98,437	70,743	72,513	74,288
Operating surpluses of departmental enterprise sales and property income	25,242	24,591	23,112	22,129	24,489	24,505	25,920	26,981
Administration fees & charges and non-industrial sales	7,364	8,537	7,997	8,664	8,469	10,403	8,578	8,977
Fines and forfeits	17,488	18,164	19,556	20,777	22,266	21,962	23,484	22,879
Contributions to government employee pension fund	8,134	8,776	9,915	10,929	11,289	10,458	11,372	12,370
Current revenue of non-financial public enterprises	2,608	3,021	2,292	2,437	1,924	3,415	3,159	3,082
Capital Revenues	3,702	3,302	2,710	3,276	3,376	4,502	4,131	3,800
Total Expenditures and Net Lending	292,977	300,238	312,394	339,351	354,354	353,422	367,413	368,635
Total Expenditures	286,921	302,036	311,507	330,537	342,612	339,673	352,710	361,583
Current Expenditures	252,620	268,019	280,466	296,216	309,981	304,008	320,293	330,967
Expenditure on goods and service	55,384	57,769	59,616	63,160	65,145	69,625	70,166	71,472
Interest payment	14,239	13,386	14,057	14,056	13,964	14,377	14,434	14,486
Subsidies and other current transfers	179,433	193,451	203,649	216,189	228,349	216,685	232,033	241,817
Current expenditure of non-financial public enterprises	3,564	3,414	3,143	2,810	2,524	3,681	3,661	3,192
Capital Expenditures	34,301	34,017	31,041	34,322	32,631	35,665	32,417	30,616
Net Lending	6,056	(1,798)	888	8,814	11,741	13,749	14,703	7,052

Source: Ministry of Strategy and Finance; The Bank of Korea; 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. Taxes in Korea can be roughly classified into the following types:

- income tax and capital gains tax,
- property tax,
- value-added tax,
- customs duty tax, and
- other taxes.

Income tax and capital gains tax are imposed on income derived from labor, business operation and ownership of assets and profits derived from capital appreciation. Income tax and capital gains tax, depending on the type of taxpayer, can be further classified into corporate income tax and individual income tax. Property tax is imposed on exchange or ownership of property and includes inheritance tax and gift tax. Value-added tax is imposed on value added to goods and services. Customs duty tax is imposed on imported goods. Other taxes include tax on certain securities transactions and a stamp tax for certain documents.

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 2012, the Republic recorded total revenues of ₩311.5 trillion and total expenditures and net lending of ₩293.0 trillion. The Republic had a fiscal surplus of ₩18.5 trillion in 2012.

For 2013, the Republic recorded total revenues of ₩314.4 trillion and total expenditures and net lending of ₩300.2 trillion. The Republic had a fiscal surplus of ₩14.2 trillion in 2013.

For 2014, the Republic recorded total revenues of ₩320.9 trillion and total expenditures and net lending of ₩312.4 trillion. The Republic had a fiscal surplus of ₩8.5 trillion in 2014.

For 2015, the Republic recorded total revenues of ₩339.2 trillion and total expenditures and net lending of ₩339.4 trillion in 2015. The Republic had a fiscal deficit of ₩0.2 trillion in 2015.

Based on preliminary data, the Republic recorded total revenues of ₩371.3 trillion and total expenditures and net lending of ₩354.4 trillion in 2016. The Republic had a fiscal surplus of ₩16.9 trillion in 2016.

Debt

The Government estimates that the total outstanding debt of the Government (including guarantees by the Government) as of December 31, 2014 amounted to approximately ₩532.2 trillion, an increase of 7.1% over the previous year. The Government estimates that the total outstanding debt of the Government (including guarantees by the Government) as of December 31, 2015 amounted to approximately ₩582.9 trillion, an increase of 9.5% over the previous year. The Ministry of Strategy and Finance administers the national debt of the Republic.

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, 2015:

Direct External Debt of the Government

	Amount in Original Currency		Equivalent Amount in U.S. Dollars[1]	
	(millions)			
US$	US$	4,428.7	US$	4,428.7
Chinese Yuan (CNY)	CNY	3,000.0		462.2
Euro (EUR)	EUR	1,125.0		1,229.2
Total			US$	6,120.1

(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, 2015.

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)
2011	390,249.4
2012	414,213.5
2013	453,674.0
2014	493,584.9
2015	547,625.6

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

Guarantees by the Government

	December 31,				
	2011	2012	2013	2014	2015
			(billions of Won)		
Domestic	33,799.1	32,783.6	32,978.5	29,158.4	26,393.8
External [1]	1,258.6	—	—	—	—
Total	35,057.7	32,783.6	32,978.5	29,158.4	26,393.8

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

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

External Liabilities

The following tables set out certain information regarding the Republic's external liabilities calculated under the criteria based on the sixth edition of Balance of Payment Manual, or BPM6, published by the International Monetary Fund in December 2010 and implemented by the Government in December 2013. Under BPM6, in particular, prepayments received in connection with the construction of ships are excluded from the external liabilities.

	December 31,				
	2012	2013	2014	2015	2016[1]
			(billions of dollars)		
Long-term Liabilities	281.0	311.7	307.9	291.7	275.8
General Government	60.8	63.0	65.2	62.8	64.8
Monetary Authorities	21.2	29.2	25.9	20.1	10.8

	December 31,				
	2012	2013	2014	2015	2016[(1)]
	(billions of dollars)				
Banks	97.8	102.2	104.0	103.1	94.1
Other Sectors	101.2	117.4	112.9	105.7	106.1
Short-term Liabilities	128.0	111.8	116.4	104.3	105.2
General Government	0.0	0.0	1.8	2.3	2.5
Monetary Authorities	14.9	10.8	12.2	12.0	6.9
Banks	85.4	77.9	79.9	74.8	78.4
Other Sectors	27.7	23.0	22.5	15.2	17.4
Total External Liabilities	408.9	423.5	424.3	396.1	380.9

(1) Preliminary

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.

TAXATION

United States Federal Income Taxation Considerations

The following is a summary of certain United States federal income tax considerations that may be relevant to a beneficial owner of a Note that is a citizen or resident of the United States or a domestic corporation or that otherwise is subject to United States federal income taxation on a net income basis in respect of the Note (a "**United States holder**"). This summary is based on laws, regulations, rulings and decisions now in effect, all of which are subject to change. This summary deals only with United States holders that will hold Notes as capital assets, and does not address tax considerations applicable to investors that may be subject to special tax rules, such as banks, tax-exempt entities, insurance companies, nonresident alien individuals who are present in the United States for 183 days or more in a taxable year, entities taxed as partnerships or the partners therein, dealers in securities or currencies, traders in securities electing to mark to market, persons that will hold Notes as a position in a "straddle" or conversion transaction, or as part of a "synthetic security" or other integrated financial transaction or persons that have a "functional currency" other than the U.S. dollar. This summary does not address the Medicare tax on certain investment income or the alternative minimum tax. Any special United States federal income tax considerations relevant to a particular issue of Notes, including any Zero Coupon Notes, will be provided in the applicable Pricing Supplement. Because Bearer Notes cannot be offered or sold in connection with their initial distribution to U.S. citizens or residents (or to other persons located in the United States), this summary does not discuss special tax considerations relevant to the ownership and disposal of Bearer Notes by United States holders.

Investors should consult their own tax advisers in determining the tax consequences to them of holding Notes, including the application to their particular situation of the United States federal income tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.

Payments of Interest

Payments of "**qualified stated interest**" (as defined below under "Original Issue Discount") on a Note, but excluding any pre-issuance accrued interest, will be taxable to a United States holder as ordinary interest income at the time that such payments are accrued or are received (in accordance with the United States holder's method of tax accounting). If such payments of interest are made with respect to a Note denominated in a single currency other than the U.S. dollar (a "Foreign Currency Note"), the amount of interest income realized by a United States holder that uses the cash method of tax accounting will be the U.S. dollar value of the Specified Currency payment based on the exchange rate in effect on the date of receipt regardless of whether the payment in fact is converted into U.S. dollars. A United States holder that uses the accrual method of accounting for tax purposes will accrue interest income on the Note in the relevant foreign currency and translate the amount accrued into U.S. dollars based on the average exchange rate in effect during the interest accrual period (or portion thereof within the United States holder's taxable year), or, at the accrual basis United States holder's election, at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year within such accrual period if the accrual period spans more than one taxable year), or at the spot rate of exchange on the date of receipt, if such date is within five business days of the last day of the accrual period. A United States holder that makes such election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the Internal Revenue Service (the "**IRS**"). A United States holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss, as the case may be, on the receipt of an interest payment made with respect to a Foreign Currency Note if the exchange rate in effect on the date the payment is received differs from the rate applicable to a previous accrual of that interest income. Amounts attributable to pre-issuance accrued interest will generally not be includable in income, except to the extent of foreign currency gain or loss attributable to any changes in exchange rates during the period between the date the United States Holder acquired the Note and the first Interest Payment Date. This foreign currency gain or loss will be treated as ordinary income or loss but generally will not be treated as an adjustment to interest income received on the Note.

Purchase, Sale and Retirement of Notes

A United States holder's tax basis in a Note generally will equal the cost of such Note to such holder, increased by any amounts includible in income by the holder as original issue discount and market discount and reduced by any amortized premium (each as described below) and any payments other than payments of qualified stated interest (as defined below under "Original Issue Discount") made on such Note. In the case of a Foreign Currency Note, the cost of such Note to a United States holder will be the U.S. dollar value of the foreign currency purchase price on the date of purchase. In the case of a Foreign Currency Note that is traded on an established securities market, a cash basis United States holder (and, if it so elects, an accrual basis United States holder) will determine the U.S. dollar value of the cost of such Note by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. The amount of any subsequent adjustments to a United States holder's tax basis in a Note in respect of original issue discount, market discount and premium denominated in a Specified Currency will be determined in the manner described under "Original Issue Discount" and "Premium and Market Discount" below. The conversion of U.S. dollars to a Specified Currency and the immediate use of the Specified Currency to purchase a Foreign Currency Note generally will not result in taxable gain or loss for a United States holder.

Upon the sale, exchange or retirement of a Note, a United States holder generally will recognize gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (less any accrued qualified stated interest, which will be taxable as such) and the United States holder's tax basis in such Note. If a United States holder receives a currency other than the U.S. dollar in respect of the sale, exchange or retirement of a Note, the amount realized will be the U.S. dollar value of the specified currency received calculated at the exchange rate in effect on the date the instrument is disposed of or retired. In the case of a Foreign Currency Note that is traded on an established securities market, a cash basis United States holder, and if it so elects, an accrual basis United States holder will determine the U.S. dollar value of the amount realized by translating such amount at the spot rate on the settlement date of the sale. The election available to accrual basis United States holders in respect of the purchase and sale of Foreign Currency Notes traded on an established securities market, discussed above, must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

Except as discussed below with respect to market discount, Short-Term Notes (as defined below) and foreign currency gain or loss, gain or loss recognized by a United States holder generally will be long-term capital gain or loss if the United States holder has held the Note for more than one year at the time of disposition. Long-term capital gains recognized by an individual holder generally are subject to tax at a lower rate than short-term capital gains or ordinary income. The deduction of capital losses is subject to limitations.

Gain or loss recognized by a United States holder on the sale, exchange or retirement of a Foreign Currency Note generally will be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in exchange rates during the period in which the holder held such Note. This foreign currency gain or loss will not be treated as an adjustment to interest income received on the Notes.

Original Issue Discount

United States holders of Original Issue Discount Notes (as defined below) generally will be subject to the special tax accounting rules for obligations issued with original issue discount ("**OID**") provided by the Internal Revenue Code of 1986, as amended, and certain regulations promulgated thereunder (the "**OID Regulations**"). United States holders of such Notes should be aware that, as described in greater detail below, they generally must include OID in ordinary gross income for United States federal income tax purposes as it accrues, in advance of the receipt of cash attributable to that income.

If the Issuer issues Notes at a discount from their stated redemption price at maturity, and such discount is equal to or more than the product of one-fourth of one percent (0.25%) of the stated redemption price at maturity of the Notes and the number of full years to their maturity (the "***de minimis*** **Threshold**"), the Notes will be "**Original Issue Discount Notes**." The difference between the issue price and the stated redemption price at maturity of the Notes will be the OID. The "issue price" of the Notes will be the first price at which a substantial amount of the Notes are sold to the public (*i.e.*, excluding sales of Notes to underwriters, placement agents, wholesalers, or similar persons). The "stated redemption price at maturity" will include all payments under the Notes other than payments of qualified stated interest (as defined below).

In general, each United States holder of an Original Issue Discount Note, regardless of whether such holder uses the cash or the accrual method of tax accounting, will be required to include in ordinary gross income the sum of the "daily portions" of OID on the Note for all days during the taxable year that the United States holder owns the Note. The daily portions of OID on an Original Issue Discount Note are determined by allocating to each day in any accrual period a ratable portion of the OID allocable to that accrual period. Accrual periods may be any length and may vary in length over the term of an Original Issue Discount Note, provided that no accrual period is longer than one year and each scheduled payment of principal or interest occurs on either the final day or the first day of an accrual period. In the case of an initial holder, the amount of OID on an Original Issue Discount Note allocable to each accrual period is determined by (a) multiplying the "adjusted issue price" (as defined below) of the Original Issue Discount Note at the beginning of the accrual period by the yield to maturity of such Original Issue Discount Note (appropriately adjusted to reflect the length of the accrual period) and (b) subtracting from that product the amount (if any) of qualified stated interest (as defined below) allocable to that accrual period. The yield to maturity of a Note is the discount rate that causes the present value of all payments on the Note as of its original issue date to equal the issue price of such Note. The "**adjusted issue price**" of an Original Issue Discount Note at the beginning of any accrual period will generally be the sum of its issue price (generally including accrued interest, if any) and the amount of OID allocable to all prior accrual periods, reduced by the amount of all payments other than payments of qualified stated interest (if any) made with respect to such Note in all prior accrual periods. The term "**qualified stated interest**" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually during the entire term of an Original Issue Discount Note at a single fixed rate of interest or, subject to certain conditions, based on one or more interest indices. In the case of an Original Issue Discount Note that is a Floating Rate Note, both the "yield to maturity" and "qualified stated interest" will generally be determined for these purposes as though the Original Issue Discount Note will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable to the interest payments on the Note on its date of issue or, in the case of certain Floating Rate Notes, the rate that reflects the yield that is reasonably expected for the Note. (Additional rules may apply if interest on a Floating Rate Note is based on more than one interest index.) As a result of this "constant yield" method of including OID in income, the amounts includible in income by a United States holder in respect of an Original Issue Discount Note denominated in U.S. dollars generally are lesser in the early years and greater in the later years than the amounts that would be includible on a straight-line basis.

A United States holder generally may make an irrevocable election to include in its income its entire return on a Note (i.e., the excess of all remaining payments to be received on the Note, including payments of qualified stated interest, over the amount paid by such United States holder for such Note) under the constant-yield method described above. For Notes purchased at a premium or bearing market discount in the hands of the United States holder, the United States holder making such election will also be deemed to have made the election (discussed below in "—Premium and Market Discount") to amortize premium or to accrue market discount in income currently on a constant-yield basis.

In the case of an Original Issue Discount Note that is also a Foreign Currency Note, a United States holder should determine the U.S. dollar amount includible in income as OID for each accrual period by (a) calculating the amount of OID allocable to each accrual period in the Specified Currency using the constant-yield method described above, and (b) translating the amount of the Specified Currency so derived at the average exchange rate in effect during that accrual period (or portion thereof within a United States holder's taxable year) or, at the United States holder's election (as described above under "—Payments of Interest"), at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year within such accrual period if the accrual period spans more than one taxable year), or at the spot rate of exchange on the date of receipt, if such date is within five business days of the last day of the accrual period. Because exchange rates may fluctuate, a United States holder of an Original Issue Discount Note that is also a Foreign Currency Note may recognize a different amount of OID income in each accrual period than would the holder of an otherwise similar Original Issue Discount Note denominated in U.S. dollars. All payments on an Original Issue Discount Note (other than payments of qualified stated interest) will generally be viewed first as payments of previously accrued OID (to the extent thereof), with payments attributed first to the earliest-accrued OID, and then as payments of principal. Upon the receipt of an amount attributable to OID (whether in connection with a payment of an amount that is not qualified stated interest or the sale or retirement of the Original Issue Discount Note), a United States holder will recognize ordinary income or loss measured by the difference between the amount received (translated into U.S. dollars at the exchange rate in effect on the date of receipt or on the date of disposition of the Original Issue Discount Note, as the case may be) and the amount accrued (using the exchange rate applicable to such previous accrual).

If a Note provides for a scheduled accrual period that is longer than one year (for example, as a result of a long initial period on a Note with interest is generally paid on an annual basis), then stated interest on the Note will not qualify as "qualified stated interest" under the OID Regulations. As a result, the Note would be an Original Issue Discount Note. In that event, among other things, a cash-method United States holders will be required to accrue stated interest on the Note under the rules for OID described above, and all United States holders will be required to accrue OID that would otherwise fall under the *de minimis* threshold.

A subsequent United States holder of an Original Issue Discount Note that purchases the Note at a cost less than its remaining redemption amount (as defined below), or an initial United States holder that purchases an Original Issue Discount Note at a price other than the Note's issue price, also generally will be required to include in gross income the daily portions of OID, calculated as described above. However, if the United States holder acquires the Original Issue Discount Note at a price greater than its adjusted issue price, such holder is required to reduce its periodic inclusions of OID income to reflect the premium paid over the adjusted issue price. The "**remaining redemption amount**" for a Note is the total of all future payments to be made on the Note other than payments of qualified stated interest.

Floating Rate Notes generally will be treated as "variable rate debt instruments" under the OID Regulations. Accordingly, the stated interest on a Floating Rate Note generally will be treated as "qualified stated interest" and such a Note will not have OID solely as a result of the fact that it provides for interest at a variable rate. If a Floating Rate Note does not qualify as a "variable rate debt instrument," such Note will be subject to special rules (the "**Contingent Payment Regulations**") that govern the tax treatment of debt obligations that provide for contingent payments ("**Contingent Debt Obligations**"). The timing, amount and character of income from a Note subject to the Contingent Payment Regulations may differ significantly from the timing, amount and character of income that would otherwise apply. Purchasers of Notes subject to the Contingent Payment Regulations should consult their own tax advisers with respect to the tax consequences of holding such Notes.

Certain of the Notes may be subject to special redemption, repayment or interest rate reset features, as indicated in the applicable Pricing Supplement. Notes containing such features, in particular Original Issue Discount Notes, may be subject to special rules that differ from the general rules discussed above. Purchasers of Notes with such features should carefully examine the applicable Pricing Supplement and should consult their own tax advisers with respect to such Notes since the tax consequences with respect to such features, and especially with respect to OID, will depend, in part, on the particular terms of the purchased Notes.

Premium and Market Discount

A United States holder of a Note that purchases the Note at a cost greater than its remaining redemption amount (as defined in the third preceding paragraph) will be considered to have purchased the Note at a premium, and may elect to amortize such premium (as an offset to interest income), using a constant-yield method, over the remaining term of the Note. Such election, once made, generally applies to all bonds held or subsequently acquired by the United States holder on or after the first taxable year to which the election applies and may not be revoked without the consent of the IRS. A United States holder that elects to amortize such premium must reduce its tax basis in a Note by the amount of the premium amortized during its holding period. Original Issue Discount Notes purchased at a premium will not be subject to the OID rules described above. In the case of premium in respect of a Foreign Currency Note, a United States holder should calculate the amortization of such premium in the specified currency. Amortization deductions attributable to a period reduce interest payments in respect of that period and therefore are translated into U.S. dollars at the exchange rate used by the United States holder for such interest payments. Exchange gain or loss will be realized with respect to amortized bond premium on such a Note based on the difference between the exchange rate on the date or dates such premium is recovered through interest payments on the Note and the exchange rate on the date on which the United States holder acquired the Note. With respect to a United States holder that does not elect to amortize bond premium, the amount of bond premium will be included in the United States holder's tax basis when the Note matures or is disposed of by the United States holder. Therefore, a United States holder that does not elect to amortize such premium generally will be required to treat the premium as capital loss when the Note matures or is disposed of.

If a United States holder of a Note purchases the Note at a price that is lower than its remaining redemption amount, or in the case of an Original Issue Discount Note, its adjusted issue price, by at least 0.25 per cent. of its remaining redemption amount multiplied by the number of remaining whole years to maturity, the Note will be considered to have "market discount" in the hands of such United States holder. In such case, gain realized by the United States holder on the disposition of the Note generally will be treated as ordinary income to the extent of the market discount that accrued on the Note while held by such United States holder. In addition, the United States holder could be required to defer the deduction of a portion of the interest paid on any indebtedness incurred or maintained to purchase or carry the Note. In general terms, market discount on a Note will be treated as accruing ratably over the term of such Note, or, at the election of the holder, under a constant yield method. Market discount on a Foreign Currency Note will be accrued by a United States holder in the specified currency. The amount includible in income by a United States holder in respect of such accrued market discount will be the U.S. dollar value of the amount accrued, generally calculated at the exchange rate in effect on the date that the Note is disposed of by the United States holder.

A United States holder may elect to include market discount in income on a current basis as it accrues (on either a ratable or constant-yield basis), in lieu of treating a portion of any gain realized on a sale of a Note as ordinary income. If a United States holder elects to include market discount on a current basis, the interest deduction deferral rule described above will not apply. Any accrued market discount on a Foreign Currency Note that is currently includible in income will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the United States holder's taxable year). Any such election, if made, applies to all market discount bonds acquired by the taxpayer on or after the first day of the first taxable year to which such election applies and is revocable only with the consent of the IRS.

Short-Term Notes

The rules set forth above will also generally apply to Notes having maturities of not more than one year ("**Short-Term Notes**"), but with certain modifications.

First, the OID Regulations treat *none* of the interest on a Short-Term Note as qualified stated interest. Thus, all Short-Term Notes will be Original Issue Discount Notes. OID will be treated as accruing on a Short-Term Note ratably, or at the election of a United States holder, under a constant yield method.

Second, a United States holder of a Short-Term Note that uses the cash method of tax accounting and is not a bank, securities dealer, regulated investment company or common trust fund, and does not identify the Short-Term Note as part of a hedging transaction, will generally not be required to include OID in income on a current basis. Such a United States holder may not be allowed to deduct all of the interest paid or accrued on any indebtedness incurred or maintained to purchase or carry such Note until the Maturity of the Note or its earlier disposition in a taxable transaction. In addition, such a United States holder will be required to treat any gain realized on a sale, exchange or retirement of the Note as ordinary income to the extent such gain does not exceed the OID accrued with respect to the Note during the period the United States holder held the Note. Notwithstanding the foregoing, a cash-basis United States holder of a Short-Term Note may elect to accrue OID into income on a current basis or to accrue the "acquisition discount" on the Note under the rules described below. If the United States holder elects to accrue OID or acquisition discount, the limitation on the deductibility of interest described above will not apply.

A United States holder using the accrual method of tax accounting and certain cash-basis United States holders (including banks, securities dealers, regulated investment companies and common trust funds) generally will be required to include original issue discount on a Short-Term Note in income on a current basis. Alternatively, a United States holder of a Short-Term Note can elect to accrue the "acquisition discount," if any, with respect to the Note on a current basis. If such an election is made, the OID rules will not apply to the Note. Acquisition discount is the excess of the Short-Term Note's stated redemption price at maturity (i.e., all amounts payable on the Short-Term Note) over the purchase price. Acquisition discount will be treated as accruing ratably or, at the election of the United States holder, under a constant-yield method based on daily compounding.

Finally, the market discount rules will not apply to a Short-Term Note.

Indexed Notes and Other Notes Providing for Contingent Payments

The Contingent Payment Regulations, which govern the tax treatment of Contingent Debt Obligations, generally require accrual of interest income on a constant-yield basis in respect of such obligations at a yield determined at the time of their issuance, and may require adjustments to such accruals when any contingent payments are made. A detailed description of the tax considerations relevant to United States holders of any contingent debt obligations will be provided in the applicable Pricing Supplement.

Information Reporting and Backup Withholding

Information Returns are required to be filed with the IRS with respect to payments made to, and the proceeds of dispositions of Notes effected by, certain United States taxpayers. In addition, certain United States taxpayers may be subject to backup withholding tax in respect of such payments if they do not provide their taxpayer identification numbers to the person from whom they receive payments. Persons holding Notes who are not United States taxpayers may be required to comply with applicable certification procedures to establish that they are not United States taxpayers in order to avoid the application of such information reporting requirements and backup withholding tax. The amount of any backup withholding from a payment to a United States or non-United

States taxpayer will be allowed as a credit against the taxpayer's U.S. federal income tax liability and may entitle the holder to a refund, provided that the required information is timely furnished to the IRS.

Specified Foreign Financial Assets

Certain United States holders that own "specified foreign financial assets" with an aggregate value in excess of US$50,000 are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which would include Notes) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. United States Holders who fail to report the required information could be subject to substantial penalties. In addition, the statute of limitations for assessment of tax would be suspended, in whole or part. Persons considering the purchase of Notes are encouraged to consult with their own tax advisers regarding the possible application of these rules to their investment in Notes, including the application of the rules to their particular circumstances.

Foreign Currency Notes and Reportable Transactions

A United States holder that participates in a "reportable transaction" will be required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A U.S. holder may be required to treat a foreign currency exchange loss relating to a Foreign Currency Note as a reportable transaction if the loss exceeds $50,000 in a single taxable year if the United States holder is an individual or trust, or higher amounts for other United States holders. In the event the acquisition, ownership or disposition of a Foreign Currency Note constitutes participation in a "reportable transaction" for purposes of these rules, a United States holder will be required to disclose its investment to the IRS, currently on Form 8886. Persons considering the purchaser of Notes should consult their tax advisors regarding the application of these rules to the acquisition, ownership or disposition of Foreign Currency Notes.

Korean Taxation

The information provided below does not purport to be a complete summary of Korean 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.

The taxation of non-resident individuals and non-Korean corporations (**"Non-Residents"**) generally depends on whether they have a "permanent establishment" (as defined under Korean law) in Korea to which the relevant Korean source income is attributable or with which such relevant Korean source 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 establishment are taxed in accordance with different rules.

Income Tax and Corporation Tax on Interest

Interest on the Notes paid to Non-Residents is exempt from income tax and corporation tax (whether payable by withholding or otherwise) pursuant to the Special Tax Treatment Control Law of Korea (the **"STTCL"**) subject to the discussion below applicable to the Notes, so far as the Notes are "foreign currency denominated bonds issued outside Korea" under the STTCL. In this regard, the Korean tax authority issued a ruling on 1st September, 1990 to the effect that "Notes Issuance Facility, USCP, Euro CP and Banker's Acceptance, etc." are not treated as "foreign currency denominated bonds."

If not exempt under STTCL, the rate of income tax or corporation tax applicable to interest or any premium on the Notes, for a Non-Resident without a permanent establishment in Korea, is currently 14 per cent. In addition, a tax surcharge, called a local income tax is imposed at the rate of 10 per cent. of the income or corporation tax (raising the total tax rate to 15.4 per cent.).

Capital Gains Tax

The Korean tax laws currently exclude from Korean taxation gains made by a Non-Resident without a permanent establishment in Korea from the sale of the Notes to a Non-Resident (other than to its permanent establishment in Korea). In addition, capital gains earned by a Non-Resident without a permanent establishment from the transfer outside Korea of the Notes are currently exempt from taxation by virtue of STTCL, provided that the issuance of the Notes is deemed to be an overseas issuance under the STTCL.

In the absence of an applicable tax treaty or any other special tax laws eliminating the capital gains tax, the applicable rate of tax is the lower of 11 per cent. (including local income tax) of the gross realization proceeds (the **"Gross Realization Proceeds"**) and (subject to the production of satisfactory evidence of the acquisition cost and the certain direct transfer cost of the relevant Notes) 22 per cent. (including local income tax) of the gain made. The gain is calculated as the Gross Realization Proceeds less the acquisition cost and the certain direct transfer cost (including taxes, dues and brokerage commissions paid in direct connection with the acquisition and transfer of the Notes). There is no provision under the relevant Korean law for offsetting gains and losses or otherwise aggregating transactions for the purpose of computing the net gain attributable to sales of securities of Korean companies.

The purchaser or any other designated withholding agent of Notes is obliged under Korean law to withhold the applicable amount of Korean tax and make payment thereof to the relevant Korean tax authority no later than the tenth day of the month following the month in which the sale of the relevant Notes occurred. Unless the seller can claim the benefit of an exemption from the tax under an applicable tax treaty or in the absence of the seller producing satisfactory evidence of his acquisition cost and the transfer cost in relation to the Notes being sold, the purchaser or such withholding agent must withhold an amount equal to 11 per cent. (including local income tax) of the Gross Realization Proceeds.

Inheritance Tax and Gift Tax

Korean inheritance tax is imposed upon (a) all assets (wherever located) of the deceased if at the time of his death he was domiciled in Korea and (b) 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 rate varies from 10 per cent. to 50 per cent. according to the value of the relevant property and the identity of the parties involved.

Under the Korean inheritance and gift tax laws, any Notes are deemed located in Korea irrespective of where they are physically located or by whom they are owned, however, holders of any Notes will not be deemed to be resident, domiciled or carrying on business by reason only of holding such Notes.

Stamp Duty and Securities Transaction Tax

No stamp, issue or registration duties will be payable in Korea by the Noteholders or the Couponholders in connection with the issue of the Notes. A securities transaction tax will not be imposed on the transfer of Notes.

Tax Treaties

At the date of this Offering Circular, Korea has tax treaties with over 80 countries including *inter alia* Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, the People's Republic of China, Singapore, Sweden, Switzerland, the United Kingdom and the United States of America whereunder the rate of withholding tax on interest is reduced, generally to between 5 per cent. and 15 per cent. including local income tax, and the tax on capital gains is often eliminated.

Each Non-Resident Noteholder should enquire for himself whether he is entitled to the benefit of a tax treaty with respect to this transaction. It is the responsibility of the party claiming the benefits of a tax treaty in respect of interest payments to file with the Issuer a certificate as to his tax residence. In the absence of sufficient proof, the Issuer must undertake to withhold taxes in accordance with the above discussion.

In addition, subject to certain exceptions, in order to receive the benefit of a tax exemption available under any applicable tax treaty, you may also be required to submit to the payer of such Korean source income an application for tax exemption under a tax treaty, together with a certificate as to your country of tax residence. Subject to certain exceptions, the Korean tax laws also require an overseas investment vehicle (which is defined as an organization established in a foreign jurisdiction that manages funds collected through investment solicitation by way of acquiring, disposing or otherwise investing in proprietary targets and then distributes the outcome of such management to investors) to obtain the application for tax exemption from the beneficial owners together with a certificate of tax residence of the beneficial owner and submit a report of overseas investment vehicle to the payer, together with a detailed statement on the beneficial owner of the income and the obtained application for exemption from the beneficial owner. The payer of such Korean source income, in turn, will be required to submit such exemption application to the relevant district tax office in Korea by the ninth day of the month following the date of the first payment of such income. Furthermore, the Corporation Income Tax Law (the "CITL") and Individual Income Tax Law (the "IITL") require the beneficial owner to submit an application for entitlement to a preferential tax rate together with evidence of tax residence (including a certificate of tax residence of the beneficial owner issued by a competent authority of the country of tax residence of the beneficial owner) to a withholding obligor paying Korean source income in order to benefit from the available reduced tax rate pursuant to the relevant tax treaty. Subject to certain exceptions, the CITL and IITL also require an overseas investment vehicle to obtain the application for entitlement to a preferential tax rate together with evidence of tax residence (including a certificate of tax residence of the beneficial owner issued by a competent authority of the country of tax residence of the beneficial owner) from the beneficial owners and submit a report of overseas investment vehicle to the withholding obligor, together with a detailed statement on the beneficial owner of the income.

If there is no change in the contents of application for a tax exemption or preferential tax rate, such application is not required to be submitted again within 3 years thereafter. And if the beneficial owner was unable to receive the benefit of a tax exemption or preferential tax rate due to his or her failure to timely submit such application, the beneficial owner may still receive tax treaty benefits by submitting evidentiary documents to the relevant tax office within five years of the last day of the month during which the payment of such income occurred.

At present, Korea has not entered into any tax treaties regarding its inheritance or gift tax.

United Kingdom Provision of Information Requirements

*The comments below are of a general nature and are based on current United Kingdom ('**UK**') tax law as applied in England and published practice of HM Revenue & Customs ("**HMRC**"), the UK tax authorities. Such law may be repealed, revoked or modified and such practice may not bind HMRC and/or may change (in each case, possibly with retrospective effect), resulting in UK tax consequences different from those discussed below. The comments below deal only with UK rules relating to information that may need to be provided to HMRC in connection with the Notes. They do not deal with any other UK tax consequences of acquiring, owning or disposing of the Notes. Each prospective investor should seek advice based on its particular circumstances from an independent tax adviser.*

Information relating to the Notes may be required to be provided to HMRC in certain circumstances pursuant to certain domestic and international reporting and transparency regimes. This may include (but is not limited to) information relating to the value of the Notes, amounts paid or credited with respect to the Notes, details of the holders or beneficial owners of the Notes (or the persons for whom the Notes are held), details of the persons who exercise control over entities that are, or are treated as, holders of the Notes, details of the persons to whom payments derived from the Notes are or may be paid and information and documents in connection with transactions relating to the Notes. Information may be required to be provided by, amongst others, the Issuer, the holders of the Notes, persons by or through whom payments derived from the Notes are made or credited or who receive such payments (or who would be entitled to receive such payments if they were made), persons who effect or are a party to transactions relating to the Notes on behalf of others and certain registrars or administrators. Accordingly, in order to enable these requirements to be met, holders of the Notes may be required to provide information to the Issuer or to other persons. In certain circumstances, the information obtained by HMRC may be exchanged with tax authorities in other countries.

The Proposed Financial Transactions Tax

The European Commission has published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transactions tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT remains subject to negotiation between the participating Member States and the legality of the proposal is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and/or certain of the participating Member States may decide to withdraw.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

SUMMARY OF DEALER AGREEMENT

Subject to the terms and on the conditions contained in an amended and restated Dealer Agreement dated 13 May 2016 between the Issuer and the Dealers for the whole Programme (the "**Dealer Agreement**"), the Notes will be offered on a continuous basis by the Issuer to the Dealers for the whole Programme. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Dealers for the whole Programme. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally, or severally, underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer such commission for each issue of Notes under the Programme as may be agreed between themselves. The Issuer has agreed to reimburse the Arranger for its expenses incurred in connection with the establishment and maintenance of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Pricing Supplement.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

SUBSCRIPTION AND SALE

United States of America

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 except in certain transactions exempt from, or not subject to the registration requirements of the Securities Act. Terms used in this paragraph have the respective meanings given to them by Regulation S under the Securities Act.

The Dealer Agreement provides that the Dealers may directly or through their respective agents or affiliates which are U.S. registered broker-dealers arrange for resales of Notes in registered form in the United States to qualified institutional buyers in reliance on Rule 144A.

Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver the Notes of any identifiable Tranche, (i) as part of their distribution at any time or (ii) otherwise until the expiration of 40 days after completion of the distribution of such Tranche as determined, and certified to the Issuer, by the Fiscal Agent, or in the case of Notes issued on a syndicated basis, the Lead Manager, within the United States or to, or for the account or benefit of, U.S. persons (other than a sale pursuant to Rule 144A), and it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until the expiration of 40 days after the commencement of the offering of any identifiable Tranche of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from registration under the Securities Act (if available).

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Offering Circular Directive (each, a “Relevant Member State”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, 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 Notes which are the subject of the offering contemplated by this Offering Circular as completed by the pricing supplement in relation thereto 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) if the pricing supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a “Non-exempt Offer”), following the date of publication of a prospectus in relation to such 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, provided that any such prospectus has subsequently been completed by the pricing supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or pricing supplement, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 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 (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

The EEA selling restriction is in addition to any other selling restrictions set out below.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "**FSMA**") by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an 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 does not apply to the Issuer; and

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

France

Each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that:

(a) no prospectus (including any amendment, supplement or replacement thereto) has been prepared in connection with the offering of the Notes that has been approved by the *Autorité des marchés financiers* or by the competent authority of another State that is a contracting party to the Agreement on the European Economic Area and notified to the *Autorité des marchés financiers*;

(b) no Notes have been offered or sold nor will be offered or sold, directly or indirectly, to the public in France; and

(c) the prospectus or any other offering material relating to the Notes have not been distributed or caused to be distributed and will not be distributed or caused to be distributed to the public in France; such offers, sales and distributions have been and shall only be made in France to persons licensed to provide the investment service of portfolio management for the account of third parties and/or qualified investors (*investisseurs qualifiés*) in each case investing for their own account, all as defined in Articles L. 411-2, D. 411-1, D. 411-2, D. 734-1, D.744-1, D. 754-1 and D. 764-1 of the *Code monétaire et financier*.

The direct or indirect distribution to the public in France of any so acquired Notes may be made only as provided by Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the *Code monétaire et financier* and applicable regulations thereunder.

The Netherlands

In addition and without prejudice to the EEA restrictions above, Zero Coupon Notes in bearer form on which interest does not become due and payable during their term but only at maturity and other Notes in bearer form that qualify as savings certificates (*spaarbewijzen*) within the meaning of the Dutch Savings Certificates Act (*Wet inzake spaarbewijzen*) may be transferred or accepted only through the mediation of either the Issuer or a member of Euronext Amsterdam N.V. and with due observance of the Dutch Savings Certificates Act and its implementing regulations, provided that no such mediation is required in respect of (i) the initial issue of such Notes to the first holders thereof, (ii) any transfer and delivery by natural persons who do not act in the conduct of a profession or trade, and (iii) the issue and trading of such Notes, if such Notes are physically issued outside the Netherlands and not distributed in the Netherlands in the course of primary trading or immediately thereafter; in addition (i) certain identification requirements in relation to the issue and transfer of, and payment on, such Notes have to be complied with, (ii) any reference in publications concerning such Notes to the words "to bearer" is prohibited, (iii) so long as such Notes are not listed at Euronext Amsterdam N.V., each transaction involving a transfer of such Notes must be recorded in a transaction note, containing, at least, the name and address of the counterparty to the transaction, the nature of the transaction, and a description of the amount, registration number(s), and type of the Notes concerned, and (iv) the requirement described under (iii) must be printed on such Notes.

Switzerland

Each Dealer has represented and agreed that each issue of Notes denominated in Swiss Francs will be made in compliance with the guidelines of the Swiss National Bank in force from time to time regarding issues of Swiss Franc denominated debt securities.

Korea

Each Dealer has represented and agreed that Notes subscribed by it will be subscribed by it as principal and that it will not, directly or indirectly, offer, sell or deliver any Notes in the Republic of Korea or to any resident of the Republic of Korea or to others for re-offering or re-sale, directly or indirectly, in the Republic of Korea or to any resident of the Republic of Korea except as otherwise permitted by applicable Korean laws and regulations. Each Dealer has undertaken that it will ensure that each securities dealer to whom it sells Notes will agree that it is purchasing such Notes as principal and that it will not re-offer or re-sell any Notes, directly or indirectly, in the Republic of Korea or to any resident of the Republic of Korea except as aforesaid.

Japan

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that (i) no Notes have been and will be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended; the "**Financial Instruments and Exchange Law**"); and (ii) 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 organized 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 pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

Each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree that:

(a) it has not offered or sold and will not offer or sell in the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**"), by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**")) other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO, or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong ("**CO**") or which do not constitute an offer to the public within the meaning of the CO; 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 (i) only to persons outside Hong Kong or (ii) only to "professional investors" as defined in the SFO and any rules made thereunder.

Singapore

Each Dealer has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289 of Singapore) (the "**SFA**"). Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA; (ii) to a relevant person pursuant to Section 275(1) of the SFA, 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.

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,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

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

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

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

General

Other than with respect to the admission to listing, trading and/or quotation by such one or more listing authorities, stock exchanges and/or quotation systems as may be specified in the Pricing Supplement, no action has been or will be taken in any country or jurisdiction by the Issuer or the Dealers that would permit a public offering of Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Offering Circular or any Pricing Supplement comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or have in their possession or distribute such offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed “General” above.

If a jurisdiction requires that the offering of Notes be made by a licensed broker or dealer and the relevant Dealer or any affiliate of the relevant Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that relevant Dealer or its affiliate on behalf of the Issuer in such jurisdiction.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Pricing Supplement (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or (in any other case) in a supplement to this Offering Circular.

Other Relationships

From time to time, in the ordinary course of business, certain of the Dealers and their affiliates have provided advisory and investment banking services, and entered into other commercial transactions with the Issuer and their respective affiliates, including commercial banking services, for which customary compensation has been received. It is expected that the Dealers and their affiliates will continue to provide such services to, and enter into such transactions, with the Issuer and their respective affiliates in the future. The Dealers or certain of their respective affiliates may, subject to the selling restrictions described above, purchase the Notes and be allocated Notes for asset management and/or proprietary purposes and not with a view to distribution.

GENERAL INFORMATION

1 The Issuer has obtained all necessary consents, approvals and authorisations in Korea in connection with the establishment and update of the Programme. The establishment of the Programme was authorised by a resolution of the Board of Executive Directors of the Issuer passed on 19 September 1997.

2. Approval in-principle has been received from the Singapore Stock Exchange in connection with the Programme and application will be made for the listing and quotation of Notes that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the Singapore Stock Exchange. Such permission will be granted when such Notes have been admitted for listing and quotation on the Singapore Stock Exchange.

3. Except as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Issuer or of the Group since 31 December 2016 and no material adverse change in the financial position or prospects of the Issuer or of the Group since 31 December 2016.

4. Except as disclosed in Note 37 of the notes to the Issuer's separate financial statements as of and for the years ended 31 December 2016 and 2015, neither the Issuer nor any of its subsidiaries is involved in any legal or arbitration proceedings that may have, or have had during the 12 months preceding the date of this Offering Circular, a significant effect on the financial position of the Group or of the Issuer nor is the Issuer aware that any such proceedings are pending or threatened.

5. Each Bearer Note, Receipt, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

6. Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC. The Common Code, the International Securities Identification Number (ISIN) and the CUSIP (if any) for each Series of Notes and an identification number for any other clearing system as shall have accepted the relevant Notes for clearance will be set out in the relevant Pricing Supplement.

7. For so long as Notes may be issued pursuant to this Offering Circular, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the specified office of the Fiscal Agent:

(a) the Agency Agreement (which includes the form of the Global Notes, the Global Certificates, the definitive Bearer Notes, the Certificates, the Coupons, the Receipts and the Talons);

(b) the Dealer Agreement;

(c) the Deed of Covenant;

(d) the KEXIM Act, the KEXIM Decree and the Articles of Incorporation of the Issuer;

(e) the most recent publicly available audited separate financial statements of the Issuer beginning with such financial statements for the years ended 31 December 2016 and 2015;

(f) any Pricing Supplement relating to Notes which are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system (in the case of any Notes which are not admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system, copies of the relevant Pricing Supplement will only be available for inspection by the relevant Noteholders);

(g) the current listing particulars in relation to the Programme, together with any amendments; and

(h) all reports, letters and other documents, balance sheets, valuations and statements by any expert any part of which is extracted or referred to in this Offering Circular.

8. Copies of the latest annual report and audited non-consolidated accounts of the Issuer may be obtained, and copies of the Agency Agreement and the Deed of Covenant will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes is outstanding. The Issuer does not publish interim financial statements.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of
The Export-Import Bank of Korea:

Report on the Financial Statements

We have audited the accompanying separate financial statements of the Export-Import Bank of Korea (the "Bank" or the "Company"), which comprise the separate statements of financial position as of December 31, 2016 and December 31, 2015, respectively, and the separate statements of comprehensive income, separate statements of changes in shareholders' equity and separate statements of cash flows, all expressed in Korean won, for the years ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with Korean International Financial Reporting Standards ("K-IFRS") and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement.

Auditors' Responsibility

Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with Korean Standards on Auditing("KSAs"). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Export-Import Bank of Korea as of December 31, 2016, and December 31, 2015, respectively, and its financial performance and its cash flows for the years then ended in accordance with K-IFRS.

/s/ Deloitte Anjin LLC

Notice to Readers

This report is effective as of March 29, 2017, the auditor's report date. Certain subsequent events or circumstances may have occurred between the auditor's report date and the time the auditor's report is read. Such events or circumstances could significantly affect the financial statements and may result in modifications to the auditor's report.

THE EXPORT-IMPORT BANK OF KOREA
SEPARATE STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 AND 2015

	Korean won			
	December 31, 2016		December 31, 2015	
	(In millions)			
ASSETS:				
Cash and due from financial institutions (Notes 4, 5 and 7)	₩	3,863,279	₩	4,884,110
Financial assets at fair value through profit or loss ("FVTPL") (Notes 4, 5, 8 and 20)		1,899,065		1,447,444
Hedging derivative assets (Notes 4, 5 and 20)		168,417		282,924
Loans (Notes 4, 5, 10 and 38)		73,418,788		66,634,042
Financial investments (Notes 4, 5 and 9)		7,138,785		5,945,250
Investments in associates and subsidiaries (Note 11)		766,084		679,325
Tangible assets, net (Note 12)		273,137		271,498
Intangible assets, net (Note 13)		42,599		28,539
Deferred tax assets (Note 35)		1,159,376		743,777
Other assets (Notes 4, 5, 14 and 38)		1,045,768		972,987
	₩	89,775,298	₩	81,889,896
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES:				
Financial liabilities at FVTPL (Notes 4, 5 and 20)	₩	852,699	₩	807,231
Hedging derivative liabilities (Notes 4, 5 and 20)		2,335,530		2,614,828
Borrowings (Notes 4, 5 and 15)		9,761,389		11,957,572
Debentures (Notes 4, 5 and 16)		62,119,016		53,239,616
Provisions (Note 17)		1,651,947		393,337
Retirement benefit obligation, net (Note 18)		2,092		47,788
Other liabilities (Notes 4, 5, 19 and 38)		1,832,644		1,803,626
	₩	78,555,317	₩	70,863,998
SHAREHOLDERS' EQUITY:				
Capital stock (Note 21)	₩	10,398,055	₩	8,878,055
Additional paid-in capital		6,723		-
Other components of equity (Notes 20 and 22)		280,017		119,980
Retained earnings (Note 23) (Regulatory reserve for bad loans as of December 31, 2016 and 2015: ₩476,882 million and ₩572,420 million)		535,186		2,027,863
		11,219,981		11,025,898
	₩	89,775,298	₩	81,889,896

See accompanying notes to separate financial statements.

THE EXPORT-IMPORT BANK OF KOREA
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Korean won			
	Year ended December 31, 2016		Year ended December 31, 2015	
	(In millions)			
OPERATING INCOME:				
Net interest income (Notes 25 and 38):				
Interest income	₩	2,231,474	₩	1,887,437
Interest expenses		(1,416,819)		(1,201,019)
		814,655		686,418
Net commission income (Notes 26 and 38):				
Commission income		456,708		377,101
Commission expenses		(8,448)		(7,688)
		448,260		369,413
Dividend income (Note 27)		23,060		15,789
Gain(loss) on financial assets at FVTPL (Note 28)		194,413		(316,113)
Loss on hedging derivative assets (Notes 20 and 29)		(656,561)		(1,384,686)
Loss on financial investments (Note 30)		(1,165)		(56,444)
Gain on foreign exchange transaction		265,983		1,968,894
Other net operating income (expenses) (Note 31)		390,368		15,805
Impairment loss on credit (Note 32)		(3,233,679)		(1,064,823)
General and administrative expenses (Note 33)		(203,139)		(201,796)
Total operating income (loss)		(1,957,805)		32,457
NON OPERATING INCOME (EXPENSES) (Note 34):				
Net gain on investments in associates and subsidiaries		3,584		8,057
Net other non-operating expenses		(3,964)		(5,029)
		(380)		3,028
INCOME (LOSS) BEFORE INCOME TAX		(1,958,185)		35,485
INCOME TAX EXPENSES (Note 35)		(470,896)		(13,528)
NET INCOME (LOSS)		(1,487,289)		21,957
(Adjusted income(loss) after reserve for bad loans for the years ended December 31, 2016 and 2015: ₩(2,040,195) million and ₩117,495 million) (Note 24)				
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD (Note 22)				
Items not reclassified subsequently to profit or loss:				
Remeasurements of net defined benefit liability		20,918		9,174
Income tax effect		(5,061)		(2,220)
		15,857		6,954
Items reclassified subsequently to profit or loss:				
Unrealized gains on Available-For-Sale (“AFS”) securities		188,914		121
Cash flow hedging gains or losses		1,298		2,548
Income tax effect		(46,032)		(645)
		144,180		2,024
TOTAL COMPREHENSIVE INCOME (LOSS)	₩	(1,327,252)	₩	30,935

See accompanying notes to separate financial statements.

THE EXPORT-IMPORT BANK OF KOREA
SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Capital stock	Additional paid-in capital	Other components of equity: Unrealized Gains on AFS securities	Other components of equity: Cash flow Hedging gains or losses	Other components of equity: Remeasurement of net defined benefit liability	Retained earnings	Total
	(Korean won in millions)						
January 1, 2015	₩ 7,748,055	₩ -	₩ 116,276	₩ (2,062)	₩ (3,212)	₩ 2,021,095	₩ 9,880,152
Dividends	-	-	-	-	-	(15,189)	(15,189)
Increase in capital stock	1,130,000	-	-	-	-	-	1,130,000
Net income	-	-	-	-	-	21,957	21,957
Unrealized gains on AFS securities, net of tax	-	-	93	-	-	-	93
Gain on valuation of cash flow hedge, net of tax	-	-	-	1,931	-	-	1,931
Remeasurements of net defined benefit liability, net of tax	-	-	-	-	6,954	-	6,954
December 31, 2015	₩ 8,878,055	₩ -	₩ 116,369	₩ (131)	₩ 3,742	₩ 2,027,863	₩ 11,025,898
January 1, 2016	₩ 8,878,055	₩ -	₩ 116,369	₩ (131)	₩ 3,742	₩ 2,027,863	₩ 11,025,898
Dividends	-	-	-	-	-	(5,388)	(5,388)
Increase in capital stock	1,520,000	6,723	-	-	-	-	1,526,723
Net loss	-	-	-	-	-	(1,487,289)	(1,487,289)
Unrealized gains on AFS securities, net of tax	-	-	143,195	-	-	-	143,195
Gain on valuation of cash flow hedge, net of tax	-	-	-	985	-	-	985
Remeasurements of net defined benefit liability, net of tax	-	-	-	-	15,857	-	15,857
December 31, 2016	₩ 10,398,055	₩ 6,723	₩ 259,564	₩ 854	₩ 19,599	₩ 535,186	₩ 11,219,981

See accompanying notes to separate financial statements.

THE EXPORT-IMPORT BANK OF KOREA
SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Korean won			
	2016		2015	
	(In millions)			
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income (loss)	₩	(1,487,289)	₩	21,957
Adjustments to reconcile net income to net cash used in operating activities:				
Income tax expense (benefits)		(470,896)		13,528
Interest income		(2,231,474)		(1,887,437)
Interest expenses		1,416,819		1,201,019
Dividend income		(23,060)		(15,789)
Dividend income on associates and subsidiaries		(7,999)		(8,057)
Loss on trading securities		2,670		576
Loss on AFS securities		8,726		64,625
Transfer to derivatives' credit risk provision		68,062		25,750
Loss on debenture redemption		45		41
Loss on foreign exchange transactions		1,708,018		1,062,012
Impairment loss on credit		3,233,680		1,064,823
Impairment loss on equity securities by the equity method		4,415		-
Loss on fair value hedged items		47,389		168,487
Depreciation and amortization		12,708		11,195
Loss on disposals of tangible, intangible and other assets		14		21
Impairment loss on tangible, intangible and other assets		538		-
Loss on valuation of derivative assets		1,389,192		1,931,945
Retirement benefits		12,390		13,206
Transfer of other provisions		16,317		-
Gain on trading securities		(25,378)		(23,310)
Gain on AFS securities		(7,561)		(8,181)
Reversal of provisions for credit risk adjustment of hedging derivative instruments		(31,315)		-
Gain on foreign exchange transactions		(1,997,850)		(3,030,906)
Gain on fair value hedged items		(524,283)		(210,926)
Gain on valuation of derivative assets		(671,414)		(458,438)
Gain on disposals of tangible assets, intangible assets and other assets		(782)		(418)
Changes in assets and liabilities resulting from operations:				
Net increase in due from financial institutions		(15,749)		(551,596)
Net increase in financial assets and liabilities at fair value through profit or loss (FVTPL)		(418,485)		(97,921)
Net increase in hedging derivative assets and liabilities		(855,891)		(640,681)
Net increase in loans		(7,037,664)		(3,072,180)
Net increase in other assets		(78,000)		(117,609)
Net increase in provisions		68,209		151,253
Payment of retirement benefits		(37,168)		(3,505)
Net decrease in other liabilities		(151,993)		(1,339,889)
Payment(refund) of income tax		3,845		(267,562)
Interest income received		2,104,451		1,777,674
Interest expense paid		(1,220,613)		(1,065,927)
Dividend income received		31,059		23,846
Net cash used in operating activities		(7,166,317)		(5,268,374)

(Continued)

THE EXPORT-IMPORT BANK OF KOREA
SEPARATE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015(CONTINUED)

	Korean won	
	2016	2015
	(In millions)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disposals of AFS securities and held-to-maturity securities	₩ 462,608	₩ 438,102
Receipt of government grants	-	17
Disposals of tangible assets	1,356	561
Acquisitions of AFS securities and held-to-maturity securities	(896,343)	(564,539)
Acquisitions of equity securities accounted by the equity method	(91,174)	(20,174)
Acquisitions of tangible assets	(9,881)	(5,411)
Acquisitions of intangible assets	(19,651)	(14,275)
Net cash used in investing activities	(553,085)	(165,719)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in call money	-	200,000
Increase in borrowings	8,698,157	14,323,638
Increase in debentures	26,128,039	24,087,276
Increase in guarantee deposits	4	50
Increase in capital stock	1,020,000	130,000
Decrease in call money	(207,952)	-
Decrease in borrowings	(10,841,478)	(13,100,659)
Decrease in debentures	(18,303,440)	(19,088,331)
Payment of dividends	(5,388)	(15,189)
Net cash provided by financing activities	6,487,942	6,536,785
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,231,460)	1,102,692
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	2,455,307	1,336,284
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	130,847	16,331
CASH AND CASH EQUIVALENTS, END OF THE PERIOD (Note 35)	₩ 1,354,694	₩ 2,455,307

(Concluded)

See accompanying notes to separate financial statements.

1. GENERAL:

(1) Summary of the Export-Import Bank of Korea

The Export-Import Bank of Korea (the “Bank” or the “Company”) 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., export and import), investments and resources development activities. As of December 31, 2016, the Bank operates 10 domestic branches, 3 domestic offices, 4 overseas subsidiaries, and 24 overseas offices.

The Bank’s authorized capital is ₩15,000,000 million, and through numerous capital increases since the establishment, its paid-in capital is ₩10,398,055 million as of December 31, 2016. The Government of the Republic of Korea (the “Government”), the Bank of Korea (“BOK”), and the Korea Development Bank hold 72.89%, 11.21%, and 15.90%, respectively, of the ownership of the Bank as of December 31, 2016.

The Bank, as a trustee of the Government, has managed the Economic Development Cooperation Fund since June 1987 and the Inter-Korean Cooperation Fund since March 1991. The funds are accounted for separately and are not included in the Bank’s separate financial statements. The Bank receives fees from the Government for the trustee services.

(2) Summary of subsidiaries and associates

1) Subsidiaries of the Bank as of December 31, 2016 and 2015 are as follows (Korean won in millions):

(Dec. 31, 2016)

Subsidiaries	Location	Capital stock		Main business	Number of shares owned	Percentage of owner-ship (%)	Financial statements as of
KEXIM Bank UK Limited	United Kingdom	GBP	20 mil.	Finance	20,000,000	100.00	Dec. 31, 2016
KEXIM Vietnam Leasing Co (*)	Vietnam	USD	13 mil.	Finance	-	100.00	Dec. 31, 2016
PT.KOEXIM Mandiri Finance	Indonesia	IDR	52,000 mil.	Finance	442	85.00	Dec. 31, 2016
KEXIM Asia Limited	Hong Kong	USD	30 mil.	Finance	30,000,000	100.00	Dec. 31, 2016

(*) This entity does not issue share certificates.

(Dec. 31, 2015)

Subsidiaries	Location	Capital stock		Main business	Number of shares owned	Percentage of owner-ship (%)	Financial statements as of
KEXIM Bank UK Limited	United Kingdom	GBP	20 mil.	Finance	20,000,000	100.00	Dec. 31, 2015
KEXIM Vietnam Leasing Co (*)	Vietnam	USD	13 mil.	Finance	-	100.00	Dec. 31, 2015
PT.KOEXIM Mandiri Finance	Indonesia	IDR	52,000 mil.	Finance	442	85.00	Dec. 31, 2015
KEXIM Asia Limited	Hong Kong	USD	30 mil.	Finance	30,000,000	100.00	Dec. 31, 2015

(*) This entity does not issue share certificates.

2) Associates of the Bank as of December 31, 2016 and 2015 are as follows (Korean won in millions):

(Dec. 31, 2016)

Associates	Location	Capital stock		Main business	Number of shares owned	Percentage of ownership (%)	Financial statements as of
Korea Asset Management Corp	Korea	KRW	860,000	Financial service	44,482,396	25.86	Dec. 31, 2016
Credit Guarantee and Investment Fund	Philippines	USD	700 mil.	Financial service	100,000,000	14.28	Sep. 30, 2016
Korea Marine Guarantee Inc.	Korea	KRW	256,620	Financial service	26,999,999	52.63	Dec. 31, 2016
SUNGDONG Shipbuilding & Marine Engineering Co, Ltd.	Korea	KRW	1,319,376	Shipbuilding	93,294,100	70.71	Sep. 30, 2016
DAESUN Shipbuilding & Engineering Co, Ltd.	Korea	KRW	7,730	Shipbuilding	1,040,000	67.27	Sep. 30, 2016
EQP Global Energy Infrastructure PEF	Korea	KRW	1,235	Financial service	279,610,108	22.64	Dec. 31, 2016
KTB Newlake Global Healthcare PEF	Korea	KRW	4,610	Financial service	1,152,500,000	25.00	Dec. 31, 2016
KBS-KDB Private Equity Fund	Korea	KRW	2,406	Financial service	501,250,000	20.83	Dec. 31, 2016

(Dec. 31, 2015)

Associates	Location	Capital stock		Main business	Number of shares owned	Percentage of ownership (%)	Financial statements as of
Korea Asset Management Corp	Korea	KRW	860,000	Financial service	44,482,396	25.86	Dec. 31, 2015
Credit Guarantee and Investment Fund	Philippines	USD	700 mil.	Financial service	100,000,000	14.28	Sep. 30, 2015
Korea Marine Guarantee Inc.	Korea	KRW	124,772	Financial service	9,999,999	40.07	Dec. 31, 2015
SUNGDONG Shipbuilding & Marine Engineering Co, Ltd.	Korea	KRW	1,319,376	Shipbuilding	93,294,100	70.71	Sep. 30, 2015
DAESUN Shipbuilding & Engineering Co, Ltd.	Korea	KRW	7,730	Shipbuilding	1,040,000	67.27	Sep. 30, 2015
EQP Global Energy Infrastructure PEF	Korea	KRW	770	Financial service	174,342,047	22.64	Dec. 31, 2015

2. **<u>FINANCIAL STATEMENT PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES</u>:**

(1) Basis of Preparation

The Bank’s financial statements are prepared under Korean International Financial Reporting Standards ("K-IFRS").

The Bank’s financial statements are separate financial statements prepared in accordance with the requirements of K-IFRS 1027 Separate Financial Statements, in which a parent, or an investor with joint control of, or significant influence over, an investee accounts for the investments based on the cost method or valuation methods in accordance with K-IFRS 1039 Financial Instruments.

The principal accounting policies are set out below. Except for the effect of the Amendments to K-IFRSs and new interpretations set out below, the principal accounting policies used to prepare the financial statements as of and for the year ended December 31, 2016 are consistent with the accounting policies used to prepare the financial statements as of and for the year ended December 31, 2015.

The accompanying separate financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is based on the fair values of the consideration given.

1) Amendments to K-IFRSs and new interpretations that are mandatorily effective for the current year are as follows:

Amendments to K-IFRS 1110 – *Consolidated Financial Statements* & K-IFRS 1112 *Disclosure of interests in other entities* & K-IFRS 1028 *Investment in associates*

The amendments clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries. The application of these amendments has no material impact on the disclosures or the amounts recognized in the Bank’s separate financial statements.

Amendments to K-IFRS 1111 – *Accounting for Acquisitions of Interests in Joint Operations*

The amendments to K-IFRS 1111 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in K-IFRS 1103 *Business Combinations*. A joint operator is also required to disclose the relevant information required by K-IFRS 1103 and other standards for business combinations. The application of these amendments has no material impact on the disclosures or the amounts recognized in the Bank’s separate financial statements.

Amendments to K-IFRS 1001—*Presentation of Financial Statements*

The amendments to K-IFRS 1001 clarify the concept of applying materiality in practice and restrict an entity reducing the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. The application of these amendments has no material impact on the disclosures or the amounts recognized in the Bank’s separate financial statements.

Amendments to K-IFRS 1016 – *Property, Plant and Equipment*

The amendments to K-IFRS 1016 prohibit the Bank from using a revenue-based depreciation method for items of property, plant and equipment. The application of these amendments has no material impact on the disclosures or the amounts recognized in the Bank’s separate financial statements.

Amendments to K-IFRS 1038 – *Intangible Assets*

The amendments to K-IFRS 1038 do not allow presumption that revenue is an appropriate basis for the amortization of intangible assets, which the presumption can only be limited when the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated. The application of these amendments has no material impact on the disclosures or the amounts recognized in the Bank's separate financial statements.

Amendments to K-IFRS 1016 – *Property, plant and equipment* & K-IFRS 1041 *Agriculture: Bearer Plants*

The amendments to K-IFRS 1016 '*Property, Plant and Equipment*' and K-IFRS 1041 '*Agriculture*' define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with K-IFRS 1016, instead of K-IFRS 1041. The application of these amendments has no material impact on the disclosures or the amounts recognized in the Bank's separate financial statements.

Annual Improvements to K-IFRS 2012-2014 Cycle

The annual improvements include amendments to a number of K-IFRSs. The amendments introduce specific guidance in K-IFRS 1105 *Non-current Assets Held for Sale and Discontinued Operation*s when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa); such a change is considered as a continuation of the original plan of disposal, and not as a change to a plan of sale. Other amendments in the annual improvements include K-IFRS 1107 *Financial Instruments: Disclosures*, K-IFRS 1019 *Employee Benefits*, and K-IFRS 1034 *Interim Financial Reporting*. The application of these amendments has no material impact on the disclosures or the amounts recognized in the Bank's separate financial statements.

Amendments to K-IFRS 1027 – *Separate Financial Statements*

The following amendments discuss accounting for investment in subsidiaries, related parties, and joint ventures at cost basis and allow the selection of the application of K-IFRS 1039 *Financial Instruments: Recognition and Measurement* or the application of equity method accounting under K-IFRS 1028 *Investment in Associates and Joint Ventures*. The application of these amendments has no material impact on the disclosures or the amounts recognized in the Bank's separate financial statements.

2) The Bank has not applied or adopted early the following new and revised K-IFRSs that have been issued, but are not yet effective:

Amendments to K-IFRS 1109 – *Financial Instruments*

The amendments to K-IFRS 1109 contain the requirements for the classification and measurement of financial assets and financial liabilities based on a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and based on the contractual terms that give rise on specified dates to cash flows, impairment methodology based on the expected credit losses, broadened types of instruments that qualify as hedging instruments, the types of risk components of non-financial items that are eligible for hedge accounting and the change in the hedge effectiveness test. The amendments are effective for annual periods beginning on or after January 1, 2018.

Adoption of K-IFRS 1109 will generally be applied retrospectively, except for the following:
- Exemption allowing the Bank not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes; and
- Prospective application of new hedge accounting except for those specified in K-IFRS 1109 for retrospective application such as accounting for the time value of options.

The amendments to K-IFRS 1109 contain the requirements for the classification and measurement of financial assets and liabilities based on a business model, whose objective is achieved both by collecting contractual cash flows and selling financial assets and based on the contractual terms that give rise on specified dates to cash flows. The amendments to K-IFRS 1109 on impairment methodology reflects the expected credit loss models and the amendments broadened the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting, introducing greater flexibility to the hedge effectiveness test.

To ensure smooth implementation of K-IFRS 1109, the Bank needs to assess the financial impact of adopting K-IFRS 1109 to formulate the accounting policy and to design, implement and stabilize the accounting system and related controls. The actual impact of the adoption on the Bank's financial statements in 2018 may vary since it depends on the financial instruments held and economic conditions, as well as accounting elections and judgments made by the Bank in connection with the adoption of K-IFRS 1109.

With the implementation of K-IFRS 1109, the Bank has not modified its system of internal controls over reporting for financial instruments or accounting system. In addition, the Bank has not evaluated the financial impact of K-IFRS 1109 adoption on its financial statements. For each key transitional provision, the impacts of the amendments on the financial statements are as follows:

a. Classification and Measurement of Financial Assets

Classification under K-IFRS 1109 for financial assets is driven by the Bank's business model for managing financial assets and their contractual cash flow characteristics. This standard requires the classification of financial assets into three categories: amortized cost, FVTPL and fair value through other comprehensive income (FVTOCI), as described in the table below. Derivatives embedded in contracts where the host is a financial asset are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

	Contractual cash flow characteristics	
Business Model	Solely payments of principal and interest (SPPI)	Others
Hold to collect contractual cash flows	Amortized cost (*1)	FVTPL (*2)
Hold to collect contractual cash flows and sell financial assets	FVTOCI (*1)	
Hold to sell financial assets and others	FVTPL	

(*1) To eliminate or reduce the accounting mismatch, the Bank may irrevocably designate a financial asset as measured at FVTPL using the fair value option at initial recognition.

(*2) Equity instruments that are not held for trading may be irrevocably designated as FVTOCI using the fair value option.

As new classification requirements for financial assets measured at amortized cost or FVTOCI under K-IFRS 1109 are more stringent than requirements under K-IFRS 1109, the adoption of the new standard may result in increase in financial assets designated as FVTPL and higher volatility in profit or loss of the Bank. As of December 31, 2016, the Bank holds loans, FVTPL, AFS financial assets and HTM financial assets.

According to K-IFRS 1109, a debt instrument can be measured at amortized cost only if it is held within a business model whose objective is to collect the contractual cash flows and has contractual cash flows that are SPPI on the principal amount outstanding. As of December 31, 2016, loans and HTM financial assets are measured at amortized cost.

According to K-IFRS 1109, a debt instrument can be measured at FVTOCI if the objective of the business model is achieved both by collecting contractual cash flows and selling financial assets; and the asset's contractual cash flows represent SPPI. As of December 31, 2016, the Bank holds debt instruments that are classified as available for sale.

According to K-IFRS 1109, if an equity investment is not held for trading, the Bank can make an irrevocable election at initial recognition to measure it at FVTOCI. If this election is made, items recognized in OCI will not be recycled through profit or loss in subsequent periods.

According to K-IFRS 1109, a debt instrument is measured at FVTPL if its contractual cash flows include items other than payments of principal and interests, or it is held within a business model whose objective is to sell financial assets and not designated as at FVTOCI.

b. Classification and measurement of financial liabilities

Under K-IFRS 1109, for the financial liabilities designated as at FVTPL using the fair value option, te element of gains or losses attributable to changes in the own credit risk should normally be recognized in other comprehensive income (OCI), with the remainder recognized in profit or loss. These amounts recognized in OCI are not recycled to profit or loss even when the liability is derecognized. However, if presentation of the fair value change in respect of the liability's credit risk in OCI creates or enlarges an accounting mismatch in profit or loss, gains and losses are entirely presented in profit or loss.

Adoption of K-IFRS 1109 might result in decrease in profit or loss since the amount of fair value changes that is attributable to changes in the credit risk of the liability is presented in OCI.

c. Impairment: financial assets and contract assets

Under the current K-IFRS 1039 impairment model (the "incurred loss model"), impairment loss can only be recognized when there is objective evidence that an impairment loss has been incurred. However, K-IFRS 1109 impairment model (the "expected credit loss impairment model") is applied to debt instruments measured at amortized cost or at FVOCI, lease receivables, contract assets, loan commitments and financial guarantee contracts.

As described below, financial instruments in scope of impairment model are assigned to one of three stages, depending on whether there has been a significant increase in credit risk since initial recognition. In addition, it is required to measure the loss allowance for financial instruments at an amount equal to either 12-month expected credit losses or lifetime expected credit losses. Therefore, the new impairment requirements are designed to result in earlier recognition of credit loss compared to the incurred loss model of K-IFRS 1039.

Stages (*1)		Loss allowance
Stage 1	No significant increase in credit risk since initial recognition (*2)	12-Month Expected Credit Losses: the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on financial instruments that are possible within 12 months after the reporting date
Stage 2	Significant increase in credit risk since initial recognition	Lifetime Expected Credit Losses: the expected credit losses that result from all possible default events over the expected life of a financial instrument
Stage 3	Objective evidence of credit risk management	

(*1) In cases of trade receivable or contract assets in scope of K-IFRS 1115 'Revenue from Contracts with Customers', if there is no significant financing component in contracts with customers, loss allowance for such assets shall be measured at lifetime expected credit losses. If a significant financing component exists, entities can elect to measure the loss allowance for trade receivable or contract assets at lifetime expected credit losses. In cases of lease receivable, entities can elect to measure the loss allowance at lifetime expected credit losses as well.

(*2) If financial instruments have low credit risk at the end of the reporting period, it is also considered that credit risk of such instruments has not increased significantly since initial recognition.

Under K-IFRS 1109, the Bank shall only recognize the cumulative change in lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets.

As of December 31, 2016, the Bank holds debt instruments measured at amortized cost (loans and receivables and HTM financial assets). The Bank also holds debt instruments classified as AFS financial assets and measured at FVTOCI and recognizes impairment loss on such instruments. Impairment loss on loans is recognized in loss allowance.

d. Hedge Accounting

K-IFRS 1109 maintains the mechanics of hedge accounting from those in K-IFRS 1039. However, K-IFRS 1109 replaces existing rule-based requirements under K-IFRS 1039 that are complex and difficult to apply with principle based requirement focusing more on the Bank's risk management purposes and procedures. Under K-IFRS 1109, more hedging instruments and hedged items are permitted and 80%-125% effectiveness requirement is removed.

By complying with the hedging rules in K-IFRS 1109, the Bank may apply hedge accounting for transactions that currently do not meet the hedging criteria under K-IFRS 1039 thereby reducing volatility in profit or loss.

As of December 31, 2016, the Bank applies hedge accounting to derivatives that are designated and qualified as fair value hedges and net investment hedges in foreign operations. As the Bank applies hedge accounting, changes in fair value of derivatives that are designated and qualified as fair value hedges are recognized in profit or loss immediately, and gain (loss) on valuation of hedges of net investments in foreign operations is recognized in OCI.

When initially applying K-IFRS No. 1109, the Bank may choose as its accounting policy to continue to apply hedge accounting requirements under K-IFRS No. 1039 instead of the requirements in K-IFRS No.1109.

Amendments to K-IFRS 1115 – *Revenue from Contracts with Customers*

The core principle under K-IFRS 1115 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments introduces a five-step approach to revenue recognition and measurement: 1) Identify the contract with a customer, 2) Identify the performance obligations in the contract, 3) Determine the transaction price, 4) Allocate the transaction price to the performance obligations in the contract and, 5) Recognize revenue when (or as) the entity satisfies a performance obligation. This standard will supersede K-IFRS 1011 - *Construction Contracts*, K-IFRS 1018-*Revenue*, K-IFRS 2113 - *Customer Loyalty Programmes*, K-IFRS 2115-*Agreements for the Construction of Real Estate*, K-IFRS 2118 - *Transfers of Assets from Customers*, and K-IFRS 2031-*Revenue-Barter Transactions Involving Advertising Services*. The amendments are effective for annual periods beginning on or after January 1, 2018.

Amendments to K-IFRS 1102—*Share-based Payment*

The amendments include: 1) when measuring the fair value of share-based payment, the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payment should be consistent with the measurement of equity-settled share-based payment, 2) Share-based payment transaction in which the Bank settles the share-based payment arrangement net by withholding a specified portion of the equity instruments per statutory tax withholding requirements would be classified as equity-settled in its entirety, if otherwise would be classified as equity-settled without the net settlement feature, and 3) when a cash-settled share-based payment changes to an equity-settled share-based payment because of modifications of the terms and conditions, the original liability recognized is derecognized and the equity-settled share-based payment is recognized at the modification date fair value. Any difference between the carrying amount of the liability at the modification date and the amount recognized in equity at the same date would be recognized in profit and loss immediately. The amendments are effective for annual periods beginning on or after January 1, 2018.

Amendments to K-IFRS 1007 – *Statement of Cash Flows*

The amendments require that changes in liabilities arising from financial activities are disclosed. The amendments are effective for annual periods beginning on or after January 1, 2017.

Amendments to K-IFRS 1012 – *Income Taxes*

The amendments clarify that unrealized losses on fixed-rate debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the holder expects to recover the carrying amount of the debt instrument by sale or by use and that the estimate of probable future taxable profit may include the recovery of some of assets for more than their carrying amount. When the Bank assesses whether there will be sufficient taxable profit, the Bank should compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017.

The Bank is reviewing the impact of the amendments and the enactments listed above on the Bank's financial statements.

(2) Functional Currency

Items included in the separate financial statements of each entity in the Bank are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

(3) Significant Estimates and Judgments

The preparation of separate financial statements requires the application of accounting policies and certain critical accounting estimates and assumptions may have a significant impact on assets (liabilities) and income (expenses). The management's estimate may differ from the actual outcome if the management's estimate and assumption based on its best judgment at the reporting date are different from an actual environment.

Estimates and assumptions are consistently evaluated and the change in an accounting estimate is recognized prospectively by including in profit or loss in the period of the change, if the change affects that period only, or the period of the change and future periods, if the change affects both.

1) Significant Estimates and Assumptions

Uncertainty in estimates and assumptions with significant risk that will result in material adjustment are as follows:

① Fair value of financial instruments
The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. Financial instruments that are not actively traded in the market and with less transparent market price, will have less objective fair value and will require judgment in liquidity, concentration, uncertainty in market factors and assumption in price determination and other risks.

As described in the significant accounting policies 'Recognition and Measurement of Financial Instruments' diverse valuation techniques are used to determine the fair value of financial instruments, from general market accepted valuation model to internally developed valuation model that incorporates various types of assumptions and variables.

② Provision of credit losses (allowances for loan losses, provisions for acceptances and guarantees, financial guarantee contracts and unused loan commitments)

The Bank determines and recognizes allowances for loan losses through impairment testing and recognizes provisions for acceptances and guarantees, financial guarantee contracts and unused loan commitments. The amount of provisions of credit losses is determined by the methodology and assumptions used for estimating expected cash flows of the borrower for allowances on individual loans and collectively assessing allowances for groups of loans, guarantees and unused loan commitments.

③ Defined benefit obligation

The present value of defined benefit obligations is measured by the independent actuaries using projected unit credit method. It is determined by actuarial assumptions and variables such as future increases in salaries, rate of retirement, discount rate and others.

2) Critical judgments in applying the accounting policies

Critical judgments in applying the accounting policies that have significant impact on the amount recognized in the separate financial statements are as follows:

① Impairment of AFS equity investments

As described in the significant accounting policies in ‘Impairment of Financial Assets’, when there is significant or prolonged decline in the fair value of an investment in an equity instrument below its original cost, there is objective evidence that AFS equity investments are impaired.

Accordingly, the Bank considers the decline in the fair value of over 30% against the original cost as “significant decline” and a six-month continuous decline in the market price for marketable equity instrument as “prolonged decline”.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(1) General

The significant accounting policies applied in the preparation of these separate financial statements after transition to K-IFRS are set out below. These policies are consistently applied to previous period.

(2) Foreign Currency

1) Foreign currency transactions

In preparing the separate financial statements of the Bank, transactions in currencies other than the Bank’s functional currency (foreign currencies) are recorded by applying the rates of exchange at the dates of the transactions.

At the end of each reporting period foreign currency monetary items are translated using the closing rate which is the spot exchange rate at the end of the reporting period. Non-monetary items that are measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined and non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in profit or loss in the period in which they arise. When gains or losses on a non-monetary item are recognized in other comprehensive income, any exchange component of those gains or losses are recognized in other comprehensive income. Conversely, when gains or losses on a non-monetary item are recognized in profit or loss, any exchange component of those gains or losses are recognized in profit or loss.

2) Foreign operations

The results and financial position of all foreign operations, whose functional currency differs from the Bank's presentation currency, are translated into the Bank's presentation currency using the following procedures;

Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position. Income and expenses for statement of comprehensive income presented are translated at average exchange rates for the period.

Any fair value adjustments to the carrying amounts of assets and liabilities arising from the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation. Thus they are expressed in the functional currency of the foreign operation and are translated into the presentation currency at the closing rate.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, are reclassified from equity to profit or loss (as a reclassification adjustment) when the gains or losses on disposal are recognized. On the partial disposal of a subsidiary that includes a foreign operation, the Bank reattributes the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income to the non-controlling interests in that foreign operation. In any other partial disposal of a foreign operation, the Bank reclassifies to profit or loss only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income.

(3) Recognition and Measurement of Financial Instruments

1) Initial recognition

The Bank recognizes a financial asset or a financial liability in its separate statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets (a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by market regulation or practice) is recognized using trade date accounting.

The Bank classifies the financial assets as financial assets at FVTPL, held-to-maturity investments, AFS financial assets, loans, receivables and financial liabilities as financial liabilities at FVTPL and other financial liabilities as the nature and holding purpose of financial instrument at initial recognition in the purpose of financial reporting.

At initial recognition, a financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The fair value of a financial instrument on initial recognition is normally the transaction price (that is, the fair value of the consideration given or received).

2) Subsequent measurement

After initial recognition, financial instruments are measured at one of the following based on classification at initial recognition.

① Amortized cost

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition and adjusted to reflect minus the principal repayments, plus or minus the cumulative amortization using the effective interest method (as defined below) and minus any reduction (directly or through the use of an allowances account) for impairment or bad debt expenses.

② Fair value

The Bank primarily uses fair values for the measurement of financial instruments. Fair values are the published price quotations in an active market and are based on the market prices or the dealer price quotations of financial instruments traded in an active market where available

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Bank uses valuation models that are commonly used by market participants and customized for the Bank to determine fair values of common over-the-counter (OTC) derivatives such as options, interest rate swaps and currency swaps which are based on the inputs observable in markets. However for these more complex instruments, the Bank uses internally developed models, which are usually based on valuation methods and techniques generally recognized as standard within the industry, or the value measured by the independent external valuation institution as the fair values if all or some of the inputs to the valuation models are not market observable and therefore it is necessary to measure fair value on certain assumptions.

Also, the Bank classified measurements of fair value recognized in the financial statements into the following hierarchy.

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value measurement is categorized in its entirety in the level of the lowest-level input that is significant to the entire measurement. For this purpose, input that is significant is estimated by the entire measurement.

On the other hand, the fair value hierarchy of foreign currency financial instruments is not affected by fluctuation of foreign exchange rate.

Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for significant adjustments. In this situation, the measurement is regarded as Level 3.

If the valuation technique does not reflect all factors which market participants would consider in setting a price, the fair value is adjusted to reflect those factors. These factors include counterparty credit risk, bid-ask spread, liquidity risk and others.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the Bank calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument or based on any available observable market data.

3) Derecognition

Derecognition is the removal of a previously recognized financial asset or financial liability from the separate statement of financial position. The following is criteria for removal;

① Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or the financial assets have been transferred and substantially all the risks and rewards of ownership of the financial assets are also transferred or the financial assets have been neither transferred nor retained substantially all the risks, rewards of ownership and control. Therefore, if the Bank neither transfers nor retains substantially all the risks and rewards of ownership of the financial assets, the Bank continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

② Derecognition of financial liabilities

Financial liabilities are derecognized from the separate statement of financial position when the obligation specified in contract is discharged, cancelled or expires.

4) Offsetting

Financial assets and financial liabilities are offset and the net amounts are presented in the separate statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(4) Cash and cash equivalents

Cash and cash equivalents include cash on hand, foreign currency, and highly liquid short term investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value.

(5) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is contingent consideration that may be paid by an acquirer as part of business combination to which K-IFRS 1103 applies, the financial asset is classified as held for trading, or the financial asset is designated by the Bank as at FVTPL upon initial recognition.

A non-derivative financial asset is classified as held for trading if either

- It is acquired for the purpose of selling it in the near term, or
- It is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking

The Bank may designate certain financial assets, other than contingent consideration that may be paid by an acquirer as part of business combination to which K-IFRS 1103 applies or held for trading, upon initial recognition as at FVTPL when one of the following conditions is met:

- It eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases
- A group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Bank's key management personnel.
- A contract contains one or more embedded derivatives may designate the entire hybrid (combined) contract as a financial asset at FVTPL if allowed according to K-IFRS No. 1039, Financial Instruments: Recognition and measurement.

After initial recognition, a financial asset at FVTPL is measured at fair value and gains or losses arising from a change in the fair value are recognized in profit or loss. Interest income, dividend income, and gains or losses from sale and repayment from financial assets at FVTPL are recognized in the statement of comprehensive income as net gains on financial instruments at FVTPL.

(6) Financial Investments

AFS and held-to-maturity financial assets are presented as financial investments.

① Available-For-Sale (“AFS”) financial assets

Profit or loss of financial assets classified as AFS, except for impairment loss and foreign exchange gains and losses, is recognized as other comprehensive income, and cumulative profit or loss is reclassified from equity to current profit or loss at the derecognition of financial asset and it is recognized as part of other operating profit or loss in the separate statements of comprehensive income.

However, interest income measured using effective interest rate is recognized in current profit or loss, and dividends of financial assets classified as AFS are recognized when the right to receive payment is established. AFS financial assets denominated in foreign currencies are translated at the closing rate.

For such a financial asset, exchange differences resulting from changes in amortized cost are recognized in profit or loss as part of other operating income and expenses. For AFS equity instruments that are not monetary items for example, equity instruments, the gains or losses that are recognized in other comprehensive income includes any related foreign exchange component.

② Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank’s management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are subsequently measured at amortized cost using the effective interest method after initial recognition and interest income is recognized using the effective interest rate.

(7) Loans

Non-derivative financial assets are classified as loans if these are not quoted in an active market and payments are fixed or determinable. After initial recognition, these are subsequently measured at amortized cost using the effective interest method.

(8) Impairment of financial assets

The Bank assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred, if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. However, losses expected as a result of future events, no matter how likely, are not recognized.
If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured and recognized in profit or loss by category of financial assets.

1) Loans

If there is objective evidence that an impairment loss on loans carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the loan’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan’s original effective interest rate. The Bank first assesses whether objective evidence of impairment exists individually for loans that are individually significant (individual evaluation of impairment), and individually or collectively for loans that are not individually significant.

If the Bank determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes the loan in a group of loans with similar credit risk characteristics and collectively assesses them for impairment (collective evaluation of impairment).

① Individual assessment of impairment

Individual assessment of impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate and comparing the resultant present value with the loan's current carrying amount. This process normally encompasses management's best estimate, such as operating cash flow of borrower and fair value less cost to sell of any collateral held and the timing of anticipated receipts.

② Collective assessment of impairment

The methodology based on historical loss experience is used to estimate inherent incurred loss on groups of loans for collective evaluation of impairment. Such methodology incorporates factors such as type of product and borrowers, credit rating, portfolio size, loss emergence period, recovery period and applies probability of default (PD) on each loan (or pool of loans) and loss given default (LGD) by type of collateral. Also, consistent assumptions are applied to form a formula-based model in estimating inherent loss and to determine factors on the basis of historical loss experience and current condition. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

2) Available-For-Sale ("AFS") financial assets

When a decline in the fair value of an AFS financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss (the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss) that had been recognized in other comprehensive income is reclassified from equity to profit or loss as part of other operating income and expenses.

If, in a subsequent period, the fair value of an AFS debt instrument classified as increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss as part of other operating income and expenses. However, impairment losses recognized in profit or loss for an AFS equity instrument classified as available for sale are not reversed through profit or loss.

3) Held-to-maturity financial assets.

If there is objective evidence that an impairment loss on held-to-maturity financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Impairment loss of held-to-maturity financial assets is directly deducted from the carrying amount. The amount of the loss is recognized in profit or loss as part of other operating income and expenses. In case of financial asset classified as held-to-maturity, if, in a subsequent period, the amount of the impairment loss is decreased and objectively related to the event occurring after the impairment is recognized, the previously recognized impairment loss is reversed to the extent of amortized cost at the date of recovery. The amount of reversal is recognized in profit or loss as part of other operating income and expenses in the separate statement of comprehensive income.

(9) Derivatives

The Bank enters into numerous numbers of derivatives such as currency forward, interest rate swaps, currency swaps and others for trading purpose or to manage its exposures to fluctuations in interest rates and currency exchange and others. These derivatives are presented as financial assets and liabilities at FVTPL and derivatives for hedging in accordance with purpose and subsequent measurement.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently measured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in net profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in such case the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Bank designates certain derivatives as hedging instruments to hedge the risk of changes in fair value of a recognized asset or liability or firm contracts (fair value hedge).

At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Bank's risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value attributable to the hedged risk.

1) Derivative for trading

All derivatives, except for derivatives that are designated and qualify for hedge accounting are classified as financial instruments held for trading and measured at fair value. Gains or losses arising from a change in fair value are recognized in profit or loss as part of net gains on financial instruments at FVTPL.

2) Derivative financial instruments for hedging

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the line of the comprehensive income statement relating to the hedged item in the income statement.

Fair value hedge accounting is discontinued prospectively if the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting or the Bank revokes the designation. Once fair value hedge accounting is discontinued, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is fully amortized to profit or loss by the maturity of the financial instrument in the separate statements of comprehensive income.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is recognized in the line of the separate statements of comprehensive income relating to the hedged item.

3) Embedded derivatives

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid (combined) instrument is not measured at fair value with changes in fair value recognized in profit or loss. Gains or losses arising from a change in the fair value of embedded derivative separated from host contract are recognized in profit or loss as part of net gains on financial instruments at FVTPL.

4) Day one profit and loss

If the Bank uses a valuation technique that incorporates data not obtained from observable markets for the fair value at initial recognition of financial instruments, there may be a difference between the transaction price and the amount determined using that valuation technique. In these circumstances, the fair value of financial instruments is recognized as the transaction price and the difference is amortized by using straight-line method over the life of the financial instruments. If the fair value of the financial instruments is determined using observable market inputs, the difference between the transaction price and amounts determined using observable markets inputs are recognized in the profit or loss.

(10) Tangible assets.

1) Recognition and measurement

All property and equipment that qualify for recognition as an asset are measured at their cost and subsequently carried at their cost less any accumulated depreciation and any accumulated impairment losses.

The cost of property and equipment includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent expenditures are capitalized only when they prolong the useful life or enhance values of the assets but the costs of the day-to-day servicing of the assets such as repair and maintenance costs are recognized in profit or loss as incurred. If part of an item of an asset has a useful life different from that of the entire asset, it is recognized as a separate asset.

2) Depreciation

Land is not depreciated whereas other property and equipment are depreciated using the method that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Bank. The depreciable amount of an asset is determined after deducting its residual value.

The depreciation method is straight-line and estimated useful lives of the assets are as follows.

Property and equipment	Estimated useful lives
Buildings and structures	10–60 years
Vehicles	4 years
Tools, furniture and fixtures	4–20 years

The residual value, the useful life and the depreciation method applied to an asset are reviewed at least at each financial year-end and, if expectations differ from previous estimates or if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the changes are accounted for as a change in an accounting estimate.

(11) Intangible assets.

Intangible assets are measured initially at cost and subsequently carried at its cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets are amortized using the straight-line method with no residual value over their estimated useful economic life since the assets are available for use.

Intangible assets	Estimated useful lives
Software	5 years
System development fees	5 years

The amortization period and the amortization method for intangible assets with a definite useful life are reviewed at least at each financial year-end. The useful life of an intangible asset that is not being amortized is reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If there is any change, it is accounted for as a change in an accounting estimate.

(12) Impairment of non-financial assets.

The Bank assesses at the end of each reporting period whether there is any indication that a non-financial asset, except for deferred tax assets, assets arising from employee benefits and non-current assets (or group of assets to be sold) classified as held for sale, may be impaired. If any such indication exists, the Bank estimates the recoverable amount of the asset. However, irrespective of whether there is any indication of impairment, the Bank tests goodwill acquired in a business combination, an intangible asset with an indefinite useful life and an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount.

The recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Bank determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and such impairment loss is recognized immediately in profit or loss.

(13) Financial liabilities at fair value through profit or loss (“ FVTPL”).

Financial liabilities at FVTPL include contingent consideration that may be paid by an acquirer as part of a business combination to which K-IFRS 1103 applies, short-term financial liabilities and financial liabilities recognized as financial liabilities at FVTPL initially. Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Otherwise, the transaction cost is recognized in current profit or loss.

(14) Provisions

A provision is recognized if the Bank has a present obligation (legal or constructive) as a result of the past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision, and where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. Provisions on confirmed and unconfirmed acceptances and guarantees, unfunded commitments of credit card and unused credit line of consumer and corporate loans are recognized using valuation model that applies the credit conversion factor, default rates, and loss given default. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provisions are reversed.

(15) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer (the Bank) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognized at fair value and are amortized over the life of the contract. After initial recognition, financial guarantee contracts are measured at the greater of:

- The amount determined in accordance with K-IFRS 1037 ‘Provisions, Contingent Liabilities and Contingent Assets’ and
- The initial amount recognized, less, when appropriate, cumulative amortization recognized in accordance with K-IFRS 1018. ‘Revenue’

(16) Equity and Reserve

Equity and Reserve are any contract or agreement that evidences a residual interest in the assets of an entity after deducting all of its liabilities

(17) Interest income and expenses

Interest income and expenses are recognized using the effective interest method. Effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or groups of financial assets or financial liabilities) and of allocating the interest income or interest expenses over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. In those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the Bank uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Interest on impaired financial assets is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(18) Fee and commission income

The Bank recognizes financial service fee in accordance with the accounting standard of the financial instrument related to the fees earned.

① Fees that are an integral part of the effective interest of a financial instrument

Such fees are generally treated as adjustments of effective interest. Such fees may include compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, collateral and other security arrangements, negotiating the terms of the instrument, preparing and processing documents and closing the transaction and origination fees received on issuing financial liabilities measured at amortized cost.
However, fees relating to the creation or acquisition of a financial asset at FVTPL are recognized as revenue immediately

② Fees earned as services are provided

Such fees are recognized as revenue as the services are provided.

③ Fees that are earned on the execution of a significant act

Such fees are recognized as revenue when the significant act has been completed.

(19) Dividend income

Dividend income is recognized in profit or loss when the right to receive payment is established. Dividend income from financial assets at FVTPL and financial investment is recognized in profit or loss as part of dividend income in the separate statements of comprehensive income.

(20) Employee compensation and benefits

1) Defined contribution plans

When employees render service related to defined contribution plans, contributions related to employees services are recognized in current profit or loss without contributions included in cost of assets. Contributions which are supposed to be paid are recognized in accrued expenses after deducting any amount already paid. Also, if contributions already paid exceed contributions which would be paid at the end of period, the amount of excess is recognized in prepaid expenses.

2) Defined benefit plans

All post-employment benefits, other than defined contribution plans, are classified as defined benefit plans. The amount recognized as a defined benefit liability is the present value of the defined benefit obligation less the fair value of plan assets at the end of the reporting period.

The present value of defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit method. Actuarial gains and losses recognized are immediately recognized in other comprehensive income (loss) and not reclassified to profit or loss in a subsequent period.

3) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits are recognized in current profit and loss when employees render the related service. Short-term employee benefits are not discounted.

(21) Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax.

Current income tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period. The difference between the taxable profit and accounting profit may arise when income or expenses are included in accounting profit in one period, but is included in taxable profit in a different period, and if there is revenue that is exempt from taxation, expenses that are not deductible in determining taxable profit (tax loss). Current income tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The Bank offsets current income tax assets and current income tax liabilities if, and only if, the Bank has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2) Deferred tax

Deferred tax is recognized, using the asset-liability method, on temporary differences arising between the tax base amount of assets and liabilities and their carrying amount in the financial statements. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except for deferred tax liabilities which the timing of the reversal of the temporary difference is controlled by the Bank and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. The Bank reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Bank offsets deferred tax assets and deferred tax liabilities when the Bank has a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity; or different taxable entity which intend either to settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4. RISK MANAGEMENT:

4-1. Summary

(1) Overview of Risk Management Policy

The financial risks that the Bank is exposed to are credit risk, market risk, liquidity risk, operational risk, interest risk, credit concentration risk, strategy/reputational risk, outsourcing risk, settlement risk and others. Credit risk, market risk, liquidity risk, and operational risk have been recognized as the Bank's key risks.

The Bank's risk management system focuses on increasing transparency, developing risk management environment, and preemptive response to risk due to rapid changes in financial environment to support the Bank's long-term strategy and business decision efficiently.

The Note regarding financial risk management provides information about the risks that the Bank is exposed to, the objective, policies and process for managing the risk, the methods used to measure the risk, and capital adequacy. Additional quantitative information is disclosed throughout the separate financial statements.

(2) Risk Management Group

1) Risk Management Committee

The Risk Management Committee establishes risk management strategies in accordance with the directives of the Board of Directors and determines the Bank's target risk appetite, approves significant risk matters and reviews the level of risks that the Bank is exposed to and the appropriateness of the Bank's risk management operations as an ultimate decision-making authority.

2) Risk Management Council

The Risk Management Council is a consultative group which reviews and makes decisions on matters delegated by the Risk Management Committees and discusses the detailed issues relating to the Bank's risk management.

3) Risk Management Practices Committee

The Risk Management Practices Committee assists the Risk Management Committee and the Risk Management Council. It performs practical work process relating to risk management plan, risk management strategy, risk measurement, risk analysis, economic capital limit and others.

4-2. Credit risk

(1) Overview of Credit Risk

Credit risk is the risk of possible losses in an asset portfolio in the events of counterparty's default, breach of contract and deterioration in the credit quality of the counterparty. For the risk management reporting purposes, the individual borrower's default risk, country risk, specific risks and other credit risk exposure components are considered as a whole.

(2) Credit Risk Management

The Bank controls the credit concentration risk exposure by applying and managing total exposure limits to prevent the excessive risk concentration to specific industry and specific borrowers. The Bank maintains allowances for loan losses associated with credit risk on loans and receivables to manage its credit risk.

The Bank recognizes impairment loss on loans with carrying amount at amortized cost when there is any objective indication of impairment. Under K-IFRS, impairment loss is based on losses incurred at the end of the reporting period and the Bank should not recognize expected losses that are probable due to future events. The Bank measures inherent incurred losses on financial assets classified as loans and receivables and present it in the separate financial statements through the use of an allowances account which is charged against the related financial assets.

(3) Maximum exposure to credit risk

The Bank's maximum exposure of financial instruments to credit risk as of December 31, 2016 and 2015 is as follows (Korean won in millions):

	Dec. 31, 2016	Dec. 31, 2015
Cash and due from financial institutions	₩ 3,863,279	₩ 4,884,110
Financial assets at FVTPL	688,542	347,194
Hedging derivative assets	168,417	282,924
Loans (*1)	76,297,126	68,966,102
Financial investments	1,049,016	647,191
Other financial assets	1,034,028	947,909
Acceptances and guarantee contracts	59,679,048	68,713,654
Commitments (*2)	20,209,143	26,462,413
	₩ 162,988,599	₩ 171,251,497

(*1) Loans exclude loans valuation adjusted related to evaluation of fair value hedging.
(*2) Commitments exclude commitments on purchase of beneficiary certificates which are included in other commitments in Note 37.

(4) Credit risk of loans

The Bank maintains allowances for loan losses associated with credit risk on loans to manage its credit risk.

The Bank recognizes impairment loss on loans with carrying amount at amortized cost when there is any objective indication of impairment. Under K-IFRS, impairment loss is based on losses incurred at the end of the reporting period and the Bank should not recognize expected losses that are probable due to future events. The Bank measures inherent incurred losses on financial assets classified as loans and present them in the separate financial statements through the use of an allowances account which is charged against the related financial assets.

The Bank writes off on non-profitable loans, non-recoverable loans, loans classified estimated loss by asset quality category, loans requested written off by Financial Supervisory Service ("FSS") and others under approval of Loan Management Committee.

Loans are categorized as follows (Korean won in millions):

(Dec. 31, 2016)

	Individual assessment	Collective assessment	Total	Ratio (%)
Loans:				
Normal				
Not past due	₩ 241,823	₩ 69,339,999	₩ 69,581,822	90.68
Past due	-	653	653	0.01
Impaired	4,817,339	2,324,247	7,141,586	9.31
Subtotal	5,059,162	71,664,899	76,724,061	100.00
Net deferred origination fees and costs:				
Normal				
Not past due	(330)	(417,549)	(417,879)	97.88
Past due	-	-	-	-
Impaired	(9,097)	41	(9,056)	2.12
Subtotal	(9,427)	(417,508)	(426,935)	100.00
Carrying amounts before deducting allowances:				
Normal				
Not past due	241,493	68,922,450	69,163,943	90.65
Past due	-	653	653	0.01
Impaired	4,808,242	2,324,288	7,132,530	9.34
Subtotal	5,049,735	71,247,391	76,297,126	100.00
Allowances:				
Normal				
Not past due	(17,998)	(271,919)	(289,917)	9.91
Percentage (%)	7.44	0.39	0.42	
Past due	-	(12)	(12)	0.01
Percentage (%)	-	1.84	1.84	
Impaired	(2,210,717)	(425,089)	(2,635,806)	90.08
Percentage (%)	45.98	18.29	36.95	
Subtotal	(2,228,715)	(697,020)	(2,925,735)	100.00
Percentage (%)	44.14	0.98	3.83	
Carrying amounts:				
Normal				
Not past due	223,495	68,650,531	68,874,026	93.87
Past due	-	641	641	0.01
Impaired	2,597,525	1,899,199	4,496,724	6.12
Total	₩ 2,821,020	₩ 70,550,371	₩ 73,371,391	100.00

(Dec. 31, 2015)

	Individual assessment	Collective assessment	Total	Ratio (%)
Loans:				
Normal				
Not past due	₩ 138,820	₩ 64,748,977	₩ 64,887,797	93.48
Past due	-	14,728	14,728	0.02
Impaired	4,226,770	282,925	4,509,695	6.50
Subtotal	4,365,590	65,046,630	69,412,220	100.00
Net deferred origination fees and costs:				
Normal				
Not past due	(5)	(440,056)	(440,061)	98.64
Past due	-	-	-	-
Impaired	(5,907)	(150)	(6,057)	1.36
Subtotal	(5,912)	(440,206)	(446,118)	100.00
Carrying amounts before deducting allowances:				
Normal				
Not past due	138,815	64,308,921	64,447,736	93.45
Past due	-	14,728	14,728	0.02
Impaired	4,220,863	282,775	4,503,638	6.53
Subtotal	4,359,678	64,606,424	68,966,102	100.00
Allowances:				
Normal				
Not past due	(22,647)	(283,827)	(306,474)	12.74
Percentage (%)	16.31	0.44	0.47	
Past due	-	(1,168)	(1,168)	0.05
Percentage (%)	-	7.93	7.93	
Impaired	(1,972,106)	(125,548)	(2,097,654)	87.21
Percentage (%)	46.72	44.40	46.58	
Subtotal	(1,994,753)	(410,543)	(2,405,296)	100.00
Percentage (%)	45.75	0.64	3.49	
Carrying amounts:				
Normal				
Not past due	116,168	64,025,094	64,141,262	96.37
Past due	-	13,560	13,560	0.02
Impaired	2,248,757	157,227	2,405,984	3.61
Total	₩ 2,364,925	₩ 64,195,881	₩ 66,560,806	100.00

The above carrying amounts exclude loan valuation adjustment related to fair value hedging amounting to ₩47,397 million and ₩73,236 million, as of December 31, 2016 and 2015, respectively.

1) Credit quality of loans that are neither past due nor impaired

Credit quality of loans that are neither past due nor impaired as of December 31, 2016 and 2015 are as follows (Korean won in millions):

(Dec. 31, 2016)

Criteria(*1)	Loans: Loans in local currency	Loans: Loans in foreign currencies	Loans: Others	Loans: Total	Loans: Ratio (%)	Deferred loan origination fees and costs	Allowances	Carrying amount
Best	₩ 924,617	₩ 6,333,727	₩ 1,131,151	₩ 8,389,495	12.06	₩ (27,901)	₩ (3,452)	₩ 8,358,142
Outstanding	5,397,037	37,044,358	2,423,723	44,865,118	64.48	(366,295)	(89,116)	44,409,707
Good	5,281,579	9,713,537	1,114,213	16,109,329	23.15	(23,141)	(181,360)	15,904,828
Below normal	56,897	160,983	-	217,880	0.31	(542)	(15,989)	201,349
	₩ 11,660,130	₩ 53,252,605	₩ 4,669,087	₩ 69,581,822	100.00	₩ (417,879)	₩ (289,917)	₩ 68,874,026

(Dec. 31, 2015)

Criteria(*1)	Loans: Loans in local currency	Loans: Loans in foreign currencies	Loans: Others	Loans: Total	Loans: Ratio (%)	Deferred loan origination fees and costs	Allowances	Carrying amount
Best	₩ 341,747	₩ 5,762,081	₩ 163,789	₩ 6,267,617	9.66	₩ (20,636)	₩ (2,986)	₩ 6,243,995
Outstanding	5,960,005	35,907,526	2,703,975	44,571,506	68.69	(393,048)	(102,360)	44,076,098
Good	4,537,539	9,136,979	181,394	13,855,912	21.35	(26,372)	(171,711)	13,657,829
Below normal	156,376	36,386	-	192,762	0.30	(5)	(29,417)	163,340
	₩ 10,995,667	₩ 50,842,972	₩ 3,049,158	₩ 64,887,797	100.00	₩ (440,061)	₩ (306,474)	₩ 64,141,262

(*1) Criteria is classified based on internal credit quality grade of loans as below.

	Capacity to Repay
Best	Extremely strong
Outstanding	Very strong
Good	Strong or adequate
Below normal	Faces major future uncertainties

2) Aging analysis of loans that are past due but not impaired

Aging analysis of loans that are past due but not impaired as of December 31, 2016 and 2015 are as follows (Korean won in millions):

(Dec. 31, 2016)

	Loans					Deferred loan origination fees and costs	Allowances	Carrying amount
	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)			
Within one months	₩ -	₩ 653	₩ -	₩ 653	100.00	₩ -	₩ (12)	₩ 641
Within two months	-	-	-	-	-	-	-	-
Within three months	-	-	-	-	-	-	-	-
Over three months	-	-	-	-	-	-	-	-
	₩ -	₩ 653	₩ -	₩ 653	100.00	₩ -	₩ (12)	₩ 641

(Dec. 31, 2015)

	Loans					Deferred loan origination fees and costs	Allowances	Carrying amount
	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)			
Within one months	₩ 4,180	₩ 10,548	₩ -	₩ 14,728	100.00	₩ -	₩ (1,168)	₩ 13,560
Within two months	-	-	-	-	-	-	-	-
Within three months	-	-	-	-	-	-	-	-
Over three months	-	-	-	-	-	-	-	-
	₩ 4,180	₩ 10,548	₩ -	₩ 14,728	100.00	₩ -	₩ (1,168)	₩ 13,560

3) Loans assessed for impairment on individual basis

Loans assessed for impairment on individual basis by country and industry of the Bank's counterparties as of December 31, 2016 and 2015 are as follows (Korean won in millions):

(Dec. 31, 2016)

	Loans			Impairment			Impairment ratio (%)		
	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	Foreign	Total
Manufacturing	₩ 3,623,910	₩ 793,121	₩ 4,417,031	₩ (1,732,272)	₩ (324,327)	₩(2,056,599)	47.80	40.89	46.56
Transportation	-	390,023	390,023	-	(153,153)	(153,153)	-	39.27	39.27
Construction	1,188	-	1,188	(965)	-	(965)	81.23	-	81.23
	₩ 3,625,098	₩1,183,144	₩ 4,808,242	₩ (1,733,237)	₩ (477,480)	₩(2,210,717)	47.81	40.36	45.98

(Dec. 31, 2015)

	Loans			Impairment			Impairment ratio (%)		
	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	Foreign	Total
Manufacturing	₩ 3,659,045	₩ 352,422	₩ 4,011,467	₩ (1,571,738)	₩(224,844)	₩(1,796,582)	42.95	63.80	44.79
Transportation	-	21,994	21,994	-	(1,050)	(1,050)	-	4.77	4.77
Construction	178,264	-	178,264	(167,284)	-	(167,284)	93.84	-	93.84
Public sector and others	9,138	-	9,138	(7,190)	-	(7,190)	78.68	-	78.68
	₩ 3,846,447	₩ 374,416	₩ 4,220,863	₩ (1,746,212)	₩(225,894)	₩(1,972,106)	45.40	60.33	46.72

(5) Credit quality of securities (debt securities)

1) Securities(debt securities) exposed to credit risk as of December 31, 2016 and 2015 are as follows (Korean won in millions):

	Dec. 31, 2016	Dec. 31, 2015
Securities that are neither past due nor impaired	₩ 736,742	₩ 658,657

2) Credit quality of securities (debt securities) that are neither past due nor impaired as of December 31, 2016 and 2015 are as follows (Korean won in millions):

(Dec. 31, 2016)

	Credit quality (*1)					
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Total
Financial assets at FVTPL	₩ 41,193	₩ -	₩ -	₩ -	₩ -	₩ 41,193
AFS financial assets	937,682	-	-	-	-	937,682
Held-to-maturity financial assets	111,334	-	-	-	-	111,334
	₩ 1,090,209	₩ -	₩ -	₩ -	₩ -	₩1,090,209

(Dec. 31, 2015)

	Credit quality (*1)					
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Total
Financial assets at FVTPL	₩ 11,466	₩ -	₩ -	₩ -	₩ -	₩ 11,466
AFS financial assets	538,703	-	-	-	-	538,703
Held-to-maturity financial assets	108,488	-	-	-	-	108,488
	₩ 658,657	₩ -	₩ -	₩ -	₩ -	₩ 658,657

(*1) Credit quality is classified based on internal credit quality grade as below.

	Credit rating	Classification	Capacity to Repay
Grade 1	AAA~BBB	Investment	Strong or Adequate
Grade 2	BBB-~BB	Speculative	Faces major future uncertainties
Grade 3	BB-~ B	Speculative	Faces major uncertainties
Grade 4	B-~C	Speculative	Currently vulnerable or Has filed bankruptcy petition
Grade 5	D	Speculative	In default

(6) Concentration of credit risk

The amounts disclosed below exclude loan valuation adjustment related to fair value hedging amounting to ₩47,397 million and ₩73,236 million, as of December 31, 2016 and 2015, respectively.

1) Loans by country where the credit risk belongs to as of December 31, 2016 and 2015 are as follows (Korean won in millions):

(Dec. 31, 2016)

	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)	Deferred loan origination fees	Allowances
Asia:							
Korea	₩ 16,178,355	₩ 7,433,406	₩ 675,959	₩ 24,287,720	31.66	₩ (6,044)	₩ (2,255,609)
China	-	2,147,381	536,056	2,683,437	3.50	(375)	(41,352)
Saudi Arabia	-	4,451,009	114,817	4,565,826	5.95	(57,984)	(8,827)
India	-	3,170,986	23,457	3,194,443	4.16	(40,039)	(4,729)
Indonesia	-	3,904,200	8,598	3,912,798	5.10	(75,269)	(12,155)
Vietnam	-	3,604,195	5,322	3,609,517	4.70	(24,334)	(19,593)
Australia	-	2,512,815	687	2,513,502	3.28	(22,004)	(5,088)
Philippines	-	396,781	119,642	516,423	0.67	(342)	(17,603)
Qatar	-	819,726	-	819,726	1.07	(3,108)	(2,696)
Singapore	-	565,149	859,666	1,424,815	1.86	(7,331)	(282,355)
Oman	-	1,015,439	499	1,015,938	1.32	(12,493)	(3,300)
Hong Kong	-	818,417	452,790	1,271,207	1.66	(2,011)	(2,383)
The United Arab Emirates	-	2,762,836	1,255	2,764,091	3.60	(31,206)	(6,773)
Others	-	1,960,112	1,472,634	3,432,746	4.47	(17,173)	(31,064)
	16,178,355	35,562,452	4,271,382	56,012,189	73.00	(299,713)	(2,693,527)
Europe:							
Russia	-	300,311	-	300,311	0.39	(30)	(1,215)
England	-	273,722	47,954	321,676	0.42	(1,788)	(529)
France	-	203,346	2,964	206,310	0.27	(3,323)	(56)
Netherlands	-	56,519	17,993	74,512	0.10	(58)	(72)
Malta	-	164,505	-	164,505	0.21	(1,578)	-
Uzbekistan	-	792,432	-	792,432	1.03	(6,755)	(3,605)
Greece	-	393,479	-	393,479	0.51	(2,546)	(161)
Ireland	-	483,400	-	483,400	0.63	(120)	(9,200)
Turkey	-	551,139	129	551,268	0.72	(8,749)	(1,912)
Germany	-	256,316	10,802	267,118	0.35	(639)	(854)
Ukraine	-	179,123	-	179,123	0.23	(5,439)	(3,955)
Cyprus	-	308,763	-	308,763	0.40	(2,901)	-
Hungary	-	188,796	981	189,777	0.25	(1,207)	(208)
Others	-	680,658	549,512	1,230,170	1.60	(4,664)	(1,733)
	-	4,832,509	630,335	5,462,844	7.11	(39,797)	(23,500)
America:							
Panama	-	2,023,831	-	2,023,831	2.65	(7,066)	(165,235)
United States	-	2,511,557	114,805	2,626,362	3.44	(14,093)	(9,299)
The British Virgin Islands	-	556,399	-	556,399	0.72	(2,633)	(132)
Mexico	-	975,627	-	975,627	1.27	(6,773)	(2,361)
Bermuda	-	1,574,929	-	1,574,929	2.06	(11,823)	(1,571)
Brazil	-	2,310,664	-	2,310,664	3.03	(6,320)	(7,023)
Others	-	1,119,823	2,617	1,122,440	1.47	(5,800)	(4,214)
	-	11,072,830	117,422	11,190,252	14.64	(54,508)	(189,835)
Africa:							
Marshall Islands	-	2,311,812	-	2,311,812	3.01	(13,978)	(13,869)
Liberia	-	553,247	-	553,247	0.72	(3,828)	(423)
Madagascar	-	419,247	-	419,247	0.55	(2,114)	(1,381)
Others	-	770,904	3,566	774,470	1.01	(12,997)	(3,200)
	-	4,055,210	3,566	4,058,776	5.29	(32,917)	(18,873)
	₩ 16,178,355	₩ 55,523,001	₩ 5,022,705	₩ 76,724,061	100.00	₩ (426,935)	₩ (2,925,735)

(Dec. 31, 2015)

	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)	Deferred loan origination fees	Allowances
Asia:							
Korea	₩ 14,943,389	₩ 8,939,356	₩ 708,863	₩ 24,591,608	35.43	₩ (5,615)	₩ (2,010,027)
China	7,239	2,711,480	697,396	3,416,115	4.92	(653)	(46,229)
Saudi Arabia	-	4,031,562	33,076	4,064,638	5.86	(60,536)	(8,804)
India	-	2,059,991	14,660	2,074,651	2.99	(43,030)	(2,823)
Indonesia	-	3,696,900	6,960	3,703,860	5.34	(85,079)	(13,375)
Vietnam	-	3,236,860	26,299	3,263,159	4.70	(26,212)	(16,384)
Australia	-	2,316,046	747	2,316,793	3.34	(23,875)	(4,897)
Philippines	-	552,115	-	552,115	0.80	(551)	(6,648)
Qatar	-	790,843	-	790,843	1.14	(3,384)	(2,309)
Singapore	-	536,305	98,795	635,100	0.91	(7,444)	(21,965)
Oman	-	895,882	3,772	899,654	1.30	(8,909)	(2,924)
Hong Kong	-	824,928	913,052	1,737,980	2.51	(2,090)	(1,161)
The United Arab Emirates	-	573,592	3,829	577,421	0.82	(7,677)	(1,926)
Others	-	1,565,484	82,086	1,647,570	2.36	(15,192)	(11,266)
	14,950,628	32,731,344	2,589,535	50,271,507	72.42	(290,247)	(2,150,738)
Europe:							
Russia	-	525,312	-	525,312	0.76	(31)	(4,772)
England	-	220,467	53,754	274,221	0.40	(2,013)	(262)
France	-	208,757	10,077	218,834	0.32	(2,792)	(14)
Netherlands	-	92,037	19,084	111,121	0.16	(637)	(104)
Malta	-	182,502	-	182,502	0.26	(1,990)	-
Uzbekistan	-	691,915	-	691,915	1.00	(7,256)	(3,431)
Greece	-	404,397	-	404,397	0.58	(3,374)	-
Ireland	-	468,800	-	468,800	0.68	(394)	(5,147)
Turkey	-	449,022	-	449,022	0.65	(10,585)	(1,551)
Germany	-	196,689	129,406	326,095	0.47	(730)	(614)
Ukraine	-	217,142	-	217,142	0.31	(8,591)	(5,767)
Cyprus	-	357,962	-	357,962	0.52	(3,542)	-
Hungary	-	218,687	-	218,687	0.31	(1,266)	(260)
Others	2,225	657,068	152,352	811,645	1.16	(7,856)	(7,287)
	2,225	4,890,757	364,673	5,257,655	7.58	(51,057)	(29,209)
America:							
Panama	-	1,942,305	-	1,942,305	2.80	(7,850)	(4,071)
United States	-	2,320,057	119,682	2,439,739	3.51	(23,893)	(199,165)
The British Virgin Islands	-	686,793	-	686,793	0.99	(2,904)	(652)
Mexico	-	851,652	-	851,652	1.23	(7,513)	(5,304)
Bermuda	-	1,171,585	-	1,171,585	1.69	(12,777)	(943)
Brazil	-	1,651,973	-	1,651,973	2.38	(6,777)	(4,347)
Others	-	977,838	-	977,838	1.41	(5,939)	(2,682)
	-	9,602,203	119,682	9,721,885	14.01	(67,653)	(217,164)
Africa:							
Marshall Islands	-	2,655,869	-	2,655,869	3.82	(17,402)	(2,866)
Liberia	-	430,699	-	430,699	0.62	(3,515)	(408)
Madagascar	-	406,584	-	406,584	0.59	(2,396)	(1,501)
Others	-	667,966	55	668,021	0.96	(13,848)	(3,410)
	-	4,161,118	55	4,161,173	5.99	(37,161)	(8,185)
	₩ 14,952,853	₩ 51,385,422	₩ 3,073,945	₩ 69,412,220	100.00	₩ (446,118)	₩ (2,405,296)

2) Loans by industry as of December 31, 2016 and 2015 are as follows (Korean won in millions):

(Dec. 31, 2016)

	Loans					Deferred loan origination fees	Allowances
	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)		
Manufacturing	₩ 12,877,156	₩ 26,376,000	₩ 682,688	₩ 39,935,844	52.05	₩ (140,372)	₩ (2,638,379)
Transportation	118,280	8,544,474	5,349	8,668,103	11.30	(54,707)	(193,863)
Financial institutions	1,083,455	5,029,908	4,247,297	10,360,660	13.50	(6,363)	(22,269)
Wholesale and retail	587,628	1,298,182	86,383	1,972,193	2.57	(3,686)	(6,897)
Real estate	14,000	479,473	-	493,473	0.64	(2,339)	(351)
Construction	914,316	556,976	447	1,471,739	1.92	(501)	(9,079)
Public sector and others	583,520	13,237,988	541	13,822,049	18.02	(218,967)	(54,897)
	₩ 16,178,355	₩ 55,523,001	₩5,022,705	₩ 76,724,061	100.00	₩ (426,935)	₩ (2,925,735)

(Dec. 31, 2015)

	Loans					Deferred loan origination fees	Allowances
	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)		
Manufacturing	₩ 12,059,578	₩ 26,601,400	₩ 454,235	₩ 39,115,213	56.35	₩ (170,255)	₩ (2,134,028)
Transportation	209,077	8,060,881	1,063	8,271,021	11.92	(62,736)	(24,010)
Financial institutions	369,679	4,160,790	2,532,924	7,063,393	10.18	(7,486)	(19,544)
Wholesale and retail	626,765	1,706,936	63,361	2,397,062	3.45	(1,088)	(13,251)
Real estate	-	536,288	-	536,288	0.77	(2,413)	(611)
Construction	1,344,750	892,359	11,207	2,248,316	3.24	(321)	(178,708)
Public sector and others	343,004	9,426,768	11,155	9,780,927	14.09	(201,819)	(35,144)
	₩ 14,952,853	₩ 51,385,422	₩3,073,945	₩ 69,412,220	100.00	₩ (446,118)	₩ (2,405,296)

3) Concentration of credit risk of securities (debt securities) by industry as of December 31, 2016 and 2015 are as follows (Korean won in millions):

	Dec. 31, 2016		Dec. 31, 2015	
	Amount	Ratio (%)	Amount	Ratio (%)
Financial Assets at FVTPL				
Government and government sponsored institutions	₩ 1	0.01	₩ 11,466	100.00
Banking and insurance	18,431	44.74	-	-
Others	22,761	55.25	-	-
Subtotal	41,193	100.00	₩ 11,466	100.00
AFS financial assets				
Government and government sponsored institutions	57,881	6.17	73,909	13.72
Banking and insurance	521,069	55.57	330,566	61.36
Others	358,732	38.26	134,228	24.92
Subtotal	937,682	100.00	538,703	100.00
Held-to-maturity financial assets				
Government and government sponsored institutions	12,107	10.87	20,175	18.60
Banking and insurance	63,995	57.48	68,084	62.76
Others	35,232	31.65	20,229	18.64
Subtotal	111,334	100.00	108,488	100.00
Total	₩1,090,209		₩ 658,657	

4) Concentration of credit risk of securities (debt securities) by country as of December 31, 2016 and 2015 are as follows (Korean won in millions):

	Dec. 31, 2016		Dec. 31, 2015	
	Amount	Ratio (%)	Amount	Ratio (%)
Financial Assets at FVTPL				
Others	₩ 41,193	100.00	₩ 11,466	100.00
AFS financial assets				
Korea	490,004	52.26	156,921	29.13
Others	447,678	47.74	381,782	70.87
Subtotal	937,682	100.00	538,703	100.00
Held-to-maturity financial assets				
Korea	30,305	27.22	29,594	27.28
Others	81,029	72.78	78,894	72.72
Subtotal	111,334	100.00	108,488	100.00
Total	₩ 1,090,209		₩ 658,657	

5) Credit enhancement and its financial effect as of December 31, 2016 and 2015 are as follows (Korean won in millions):

(Dec. 31, 2016)

	Loans (*1)	Acceptances and guarantees	Unused loan commitments	Total	Ratio (%)
Maximum exposure to credit risk	₩ 76,297,126	₩ 59,679,048	₩ 20,209,143	₩ 156,185,317	100.00
Credit enhancement:					
Deposits and savings	69,923	153,399	6,399	229,721	0.15
Export guarantee insurance	83,570	1,426,227	-	1,509,797	0.97
Guarantee	3,534,868	1,609,041	1,946,773	7,090,682	4.54
Securities	102,084	462,146	3,188	567,418	0.36
Real estate	1,606,953	1,026,476	162,671	2,796,100	1.79
Ships	964,495	142,389	61,996	1,168,880	0.75
Others	1,710,137	-	9,207	1,719,344	1.10
Subtotal	8,072,030	4,819,678	2,190,234	15,081,942	9.66
Exposure to credit risk after deducting credit enhancement	₩ 68,225,096	₩ 54,859,370	₩ 18,018,909	₩ 141,103,375	90.34

(*1) Loans exclude loans valuation adjusted related to evaluation of fair value hedging

(Dec. 31, 2015)

	Loans (*1)	Acceptances and guarantees	Unused loan commitments	Total	Ratio (%)
Maximum exposure to credit risk	₩ 68,966,102	₩ 68,713,654	₩ 26,462,413	₩ 164,142,169	100.00
Credit enhancement:					
Deposits and savings	50,351	118,990	589	169,930	0.10
Export guarantee insurance	101,307	1,883,491	-	1,984,798	1.21
Guarantee	1,473,086	1,685,567	3,815,485	6,974,138	4.25
Securities	43,041	617,744	175,800	836,585	0.51
Real estate	1,024,233	626,741	28,896	1,679,870	1.02
Ships	975,344	233,132	277,094	1,485,570	0.91
Others	1,617,667	-	160,171	1,777,838	1.08
Subtotal	5,285,029	5,165,665	4,458,035	14,908,729	9.08
Exposure to credit risk after deducting credit enhancement	₩ 63,681,073	₩ 63,547,989	₩ 22,004,378	₩ 149,233,440	90.92

(*1) Loans exclude loans valuation adjusted related to evaluation of fair value hedging

4-3. Liquidity risk

(1) Overview of liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations arising from financial liabilities as they become due. The Bank discloses all financial asset, financial liabilities, and off-balance sheet items such as loan commitments and analysis of the contractual maturity, which are related to liquidity risk, into seven categories. The cash flows disclosed in the maturity analysis are undiscounted contractual amounts, including principal and future interest, which are different from the discounted cash flow amounts included in the separate statements of financial position. However, for derivatives, each discounted cash flow consisting of current fair value is presented.

(2) Principles of the liquidity risk management

① Liquidity risk is managed with integration. The Bank measures, reports and controls liquidity risk by quantification with reasonable method.

② Liquidity risk reflects financing plans and fund using plans and the Bank reports the liquidity risk with preciseness, timeliness and consistency.

③ The Bank establishes liquidity risk managing strategy by analyzing liquidity maturity, liquidity gap structure and market environment.

(3) Liquidity risk management

Risk management department monitors changes by liquidity risk sources and compliance of risk limits. It notifies related departments to prepare countermeasures in case the measured liquidity risk is close to risk limits. Also, it analyzes crisis situations and effects of the crisis situations and reports to the Risk Management Committee on a regular basis. Each related department monitors changes of liquidity risk sources and compliance of risk limits by itself and if exposure to new risk is expected, it discusses the matter with the head of risk management department.

(4) Measurement of liquidity risk

The Bank measures liquidity ratio, liquidity gap ratio and others for local currency and foreign currency and simulates analysis reflecting market environment, product features and the Bank's strategies.

(5) Analysis on remaining contractual maturity of financial liabilities and off-balance sheet items

Remaining contractual maturity and amount of financial liabilities and off-balance sheet items as of December 31, 2016 and 2015 is as follows (Korean won in millions):

(Dec. 31, 2016)

	On demand	Within 1 month	1 to 3 months	3 to 6 Months	6 to 12 months	1 year to 5 years	Over 5 years	Total
Financial liabilities:								
Financial liabilities at FVTPL	₩ 852,699	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 852,699
Hedging derivative liabilities	-	77,926	140,842	23,318	492,940	1,129,531	470,973	2,335,530
Borrowings	-	35,518	939,079	2,242,728	590,711	5,421,887	849,677	10,079,600
Debentures	-	3,314,357	4,216,493	3,650,867	8,342,283	32,336,081	17,993,116	69,853,197
Other financial liabilities	-	674,028	358	-	191,671	57,685	717,276	1,641,018
	₩ 852,699	₩ 4,101,829	₩ 5,296,772	₩ 5,916,913	₩ 9,617,605	₩ 38,945,184	₩ 20,031,042	₩ 84,762,044
Off-balance sheet items(*1):								
Commitments	₩ 20,209,143	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 20,209,143
Financial guarantee contracts	15,663,910	-	-	-	-	-	-	15,663,910
	₩ 35,873,053	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 35,873,053

(*1) Guarantees and loan commitments and other credit facilities provided by the Bank have maturities. However, if the counterparty requests the payment immediately, the payment must be fulfilled.

(Dec. 31, 2015)

	On demand	Within 1 month	1 to 3 months	3 to 6 Months	6 to 12 months	1 year to 5 years	Over 5 years	Total
Financial liabilities:								
Financial liabilities at FVTPL	₩ 807,231	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 807,231
Hedging derivative liabilities	-		43,892	523,454	341,575	1,362,696	343,211	2,614,828
Borrowings	-	1,179,380	783,697	3,340,381	1,379,555	4,277,985	1,159,963	12,120,961
Debentures	-	1,069,253	2,539,195	3,884,489	9,119,154	25,649,727	17,520,428	59,782,246
Other financial liabilities	-	744,610	11	295	1,978	173,173	653,893	1,573,960
	₩ 807,231	₩ 2,993,243	₩ 3,366,795	₩ 7,748,619	₩10,842,262	₩ 31,463,581	₩19,677,495	₩76,899,226
Off-balance sheet items(*1):								
Commitments	₩ 26,462,412	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 26,462,412
Financial guarantee contracts	14,422,231	-	-	-	-	-	-	14,422,231
	₩ 40,884,643	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 40,884,643

(*1) Guarantees and loan commitments and other credit facilities provided by the Bank have maturities. However, if the counterparty requests the payment immediately, the payment must be fulfilled.

4-4. Market risk

(1) Overview of market risk

1) Definition of market risk

Market risk is the risk of possible losses that arise from the changes of market factors, such as interest rate, stock price, foreign exchange rate, commodity value and other market factors related to the fair value or future cash flows of the financial instruments. The Bank classifies exposures to market risk into either foreign exchange rate risk or interest rate risk. Foreign exchange risk means that possible losses on assets and liabilities denominated in foreign currency due to changes of foreign exchange rate. Interest rate risk means that possible losses on assets and liabilities due to changes of interest rate.

2) Market risk management group

The Bank operates the Risk Management Committee and the Risk Management Council for managing risks and risk limits. The Risk Management Practices Committee assists the Risk Management Committee and the Risk Management Council for practical matters such as managing adequate assets and liabilities by analyzing foreign exchange risk, interest rate risk, liquidity risk, money balance plan and effects by initiating new product. Market risk is managed by product and currency for minimizing segments exposed to changes of foreign exchange, interest rate and securities' price. Foreign exchange risk is measured by definite method and probabilistic method and definite method is used for limits management. Interest rate value at risk (VaR) and interest rate earning at risk ("EaR") are measured by BIS standards, definite method and probabilistic method and definite method is used for limits management. Meanwhile, the Bank performs financial crisis analysis supposing exceptional but possible events for evaluating latent weakness. The analysis is used for important decision making such as risk mitigation, emergency plan development and limit setup. The results of the analysis are reported to the Board of Directors and management on a quarterly basis.

(2) Foreign exchange risk

1) Management of foreign exchange risk

Foreign exchange risk management limit is set up and included in internal capital management limit. A risk management division head monitors changes of foreign exchange risk by source and compliance of risk limits regularly. A finance division head also monitors changes of foreign exchange risk by source and compliance of risk limits. The finance division head needs to cooperate with the risk management division head in case it is expected that the Bank will be exposed to a new risk. The risk management division head orders related divisions to prepare countermeasures in case it is apprehended that foreign exchange risk exceeds risk limit. If foreign exchange risk exceeds the risk limit, the risk management division head orders related divisions to prepare countermeasures and reports to Risk Management Committee after resolving the exceeded limit problem.

2) Measurement of foreign exchange risk

Foreign exchange risk is managed by foreign exchange VaR and foreign exchange position. Foreign exchange VaR is measured on a monthly basis and foreign exchange position is measured on a daily basis. It is measured separately by currency for assets and liabilities denominated in foreign currency exceeding 5% of total assets and liabilities denominated in foreign currency.

3) Measurement method

① VaR (Value at Risk)

The Bank uses a yearly VaR to measure market risk. The yearly VaR is a statistically estimated maximum amount of loss that could occur in one year under normal distribution of financial variables. The Bank calculates VaR using equal-weighted-average method based on historical changes in market rates, prices and volatilities over the previous 5 years data and measures VaR at a 99% single tail confidence level. VaR is a commonly used market risk management technique. However, the method has some shortcomings.

VaR estimates possible losses over a certain period at a particular confidence level using past market movement data. Past market movement, however, is not necessarily a good indicator of future events, as there may be conditions and circumstances in the future that the model does not anticipate. As a result, the timing and magnitude of the actual losses can be different depending on the assumptions made at the time of calculation. In addition, the time periods used for the model, generally one day or 10 days, are assumed to be a sufficient holding period before liquidating the relevant underlying positions. If these holding periods are not sufficient, or too long, the VaR results may understate or overstate the potential loss.

② Stress testing

The stress testing is carried out to analyze the abnormal market situation reflecting intrinsic volatility of foreign exchange that has significant influent on the value of portfolio. The Bank mainly uses historical scenario tool and also uses hypothetical scenario tool for the analysis of an abnormal market situation. Stress testing is performed at least once in every quarter.

③ Results of measurement

Results of foreign exchange VaR as of December 31, 2016 and 2015 are as follows (Korean won in millions):

	Dec. 31, 2016				Dec. 31, 2015			
	Average	Minimum	Maximum	Ending	Average	Minimum	Maximum	Ending
Foreign exchange risk	₩ 64,770	₩ 39,693	₩ 102,371	₩ 39,693	₩ 31,199	₩ 17,257	₩ 42,271	₩ 39,631

(3) Interest rate risk

1) Management of interest rate risk
Interest rate risk management limit is set up and included in internal capital management limit. A risk management division head monitors changes of interest rate risk by source and compliance of risk limits regularly. A finance division head also monitors changes of interest rate risk by source and compliance of risk limits. The finance division head needs to cooperate with the risk management division head in case it is expected that the Bank will be exposed to a new risk. The risk management division head orders related divisions to prepare countermeasures in case it is apprehended that interest rate risk exceeds risk limit. If interest rate risk exceeds the risk limit, the risk management division head orders related divisions to prepare countermeasures and reports to Risk Management Committee after resolving the exceeded limit problem.

2) Measurement of interest rate risk
Interest rate risk is managed by measuring interest rate EaR and interest rate VaR and uses interest rate sensitivity gap and duration gap as supplementary index. Interest rate EaR and interest rate VaR are measured on a monthly basis, and interest rate sensitivity gap and duration gap are measured on a daily basis. The Bank simulates analysis reflecting market environment, product features and the Bank's strategies.

3) Measurement method

① VaR (Value at Risk)

The Bank uses a yearly VaR to measure market risk. The yearly VaR is a statistically estimated maximum amount of loss that could occur in one year under normal distribution of financial variables. The Bank calculates VaR using equal-weighted-average method based on historical changes in market rates, prices and volatilities over the previous 5 years data and measures VaR at a 99% single tail confidence level. This means the actual amount of loss may exceed the VaR, on average, once out of 100 business days. VaR is a commonly used market risk management technique. However, the method has some shortcomings.

VaR estimates possible losses over a certain period at a particular confidence level using past market movement data. Past market movement, however, is not necessarily a good indicator of future events, as there may be conditions and circumstances in the future that the model does not anticipate. As a result, the timing and magnitude of the actual losses can be different depending on the assumptions made at the time of calculation. In addition, the time periods used for the model, generally one day or 10 days, are assumed to be a sufficient holding period before liquidating the relevant underlying positions. If these holding periods are not sufficient, or too long, the VaR results may understate or overstate the potential loss.

② Stress testing

The stress testing is carried out to analyze the abnormal market situation reflecting intrinsic volatility of interest rate that has significant influence on the value of portfolio. The Bank mainly uses historical scenario tool and also uses hypothetical scenario tool for the analysis of an abnormal market situation. Stress testing is performed at least once in every quarter.

③ Results of measurement

Results of interest rate VaR as of December 31, 2016 and 2015 is as follows (Korean won in millions):

	Dec. 31, 2016				Dec. 31, 2015			
	Average	Minimum	Maximum	Ending	Average	Minimum	Maximum	Ending
Interest rate risk	₩105,424	₩ 92,314	₩ 155,703	₩97,983	₩106,084	₩ 21,903	₩ 159,305	₩113,667

4-5. Capital risk

The Bank follows the standard of capital adequacy established by the Financial Services Commission. The standard is based on Basel III, which was established by Basel Committee on Banking Supervision in Bank for International Settlements ("BIS"). According to the standard, domestic banks should maintain at least 8.625% or above of BIS capital ratio for risk-weighted asset, and quarterly report BIS capital ratio to the Financial Supervisory Service.

According to Korean Banking Supervision rules for operations, the Bank's capitals are mainly divided into two categories:

1) Tier 1 capital (basic capital): Basic capital is composed of capital stock-common and other basic capital. Capital stock-common includes common stock satisfied with qualifications, capital surplus, retained earnings, accumulated other comprehensive income, other reserves and non-controlling interests among the common stock of consolidated subsidiaries. Other basic capital includes securities and capital surplus satisfied with qualifications

2) Tier 2 capital (supplementary capital): Supplementary capital is composed of the securities and capital surplus satisfied with qualifications, non-controlling interests among the securities of consolidated subsidiaries and the amounts of less than below 1.25% of credit risk-weighted asset like allowance for credit losses in respect of credits classified as normal or precautionary.

The risk-weighted asset includes intrinsic risks in total assets, errors of internal operation processes and loss risk from external events. It indicates a size of assets reflecting the level of risks that the Bank bears. The Bank computes the risk-weighted asset by risks (credit risk, market risk and operational risk) and uses it for calculation of BIS capital ratio.

The Consolidated Entity's BIS capital ratio on consolidated basis as of December 31, 2016 and 2015, are as follows (Korean won in millions):

5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES:

5-1. Classification and fair value

(1) Carrying amounts and fair values of financial instruments as of December 31, 2016 and 2015 are as follows (Korean won in millions):

		Dec. 31, 2016		Dec. 31, 2015	
	Classification	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:					
Cash and due from financial institutions	Non-recurring	₩ 3,863,279	₩ 3,863,247	₩ 4,884,110	₩ 4,884,067
Financial assets at FVTPL	Recurring	1,899,065	1,899,065	1,447,444	1,447,444
Hedging derivative assets	Recurring	168,417	168,417	282,924	282,924
Loans	Non-recurring	73,418,788	75,098,073	66,634,042	66,696,379
AFS financial assets	Recurring	7,027,451	7,027,451	5,836,763	5,836,763
Held-to-maturity financial assets	Non-recurring	111,334	111,131	108,487	108,009
Other financial assets	Non-recurring	983,090	983,090	947,909	947,909
		₩ 87,471,424	₩ 89,150,474	₩ 80,141,679	₩ 80,203,495
Financial liabilities:					
Financial liabilities at FVTPL	Recurring	₩ 852,699	₩ 852,699	₩ 807,231	₩ 807,231
Hedging derivative liabilities	Recurring	2,335,530	2,335,530	2,614,828	2,614,828
Borrowings	Non-recurring	9,761,389	9,762,894	11,957,572	11,941,277
Debentures	Non-recurring	62,119,016	62,917,874	53,239,616	54,709,655
Other financial liabilities	Non-recurring	1,641,018	1,641,018	1,573,960	1,573,960
		₩ 76,709,652	₩ 77,510,015	₩ 70,193,207	₩ 71,646,951

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For each class of financial assets and financial liabilities, the Bank discloses the fair value of that class of assets and liabilities in a way that permits them to be compared with their carrying amount at the end of each reporting period. The best evidence of fair value of financial instruments is quoted price in an active market.

Methods for measuring fair value of financial instruments are as follows:

Financial instruments	Method of measuring fair value
Loans and receivables	As demand deposits and transferable deposits do not have maturity and are readily convertible to cash. The carrying amounts of these deposits approximate their fair values. Fair values of the deposits with the maturity of more than one year are determined by discounted cash flow model ("DCF model"). DCF model is also used to determine the fair value of loans. Fair value is determined by discounting the cash flows expected from the each contractual period by applying the discount rates for each period.
Investment securities	Trading financial assets and liabilities and AFS financial assets are measured at fair value using a quoted market price in an active market. If a quoted market price is not available, they are measured by using a price quoted by a third party, such as a pricing service or broker or using the DCF model.
Derivatives	For exchange traded derivative, quoted price in active market is used to determine fair value and for OTC derivative, fair value is determined primarily using the DCF model. The Bank uses internally developed valuation models that are widely used by market participants to determine fair value of plain OTC derivatives including option, interest rate swap and currency swap based on observable market parameters. However, some complex financial instruments are valued using the results of independent pricing services, where part or all of the inputs are not observable in the market.
Borrowings	Fair value is determined using DCF model discounting contractual future cash flows by appropriate discount rate.
Debentures	Fair value of debentures denominated in local currency is determined by using the valuation of independent third-party pricing services in accordance with the market prices that are quoted in active markets. Fair value of debentures denominated in foreign currency is determined by DCF model.

Fair values of financial assets and financial liabilities classified as fair value Level 3 of the fair value hierarchy are determined by using the valuation of independent third-party pricing services. Meanwhile, carrying amounts of other financial assets and financial liabilities are regarded as the nearest amounts of fair values.

(2) Fair value hierarchy

Fair value hierarchy of financial assets and liabilities which are not measured at fair value as of December 31, 2016 and 2015 is as follows (Korean won in millions):

(Dec. 31, 2016)

	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and due from financial institutions	₩ 991,779	₩ -	₩ 2,871,468	₩ 3,863,247
Loans	-	-	75,098,073	75,098,073
Held-to-maturity financial assets	-	111,131	-	111,131
Other financial assets	-	-	983,090	983,090
	₩ 991,779	₩ 111,131	₩ 78,952,631	₩ 80,055,541
Financial liabilities:				
Borrowings	₩ -	₩ 9,762,894	₩ -	₩ 9,762,894
Debentures	-	62,917,874	-	62,917,874
Other financial liabilities	-	-	1,641,018	1,641,018
	₩ -	₩ 72,680,768	₩ 1,641,018	₩ 74,321,786

(Dec. 31, 2015)

	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and due from financial institutions	₩ 2,455,307	₩ -	₩ 2,428,760	₩ 4,884,067
Loans	-	-	66,696,379	66,696,379
Held-to-maturity financial assets	-	108,009	-	108,009
Other financial assets	-	-	947,909	947,909
	₩ 2,455,307	₩ 108,009	₩ 70,073,048	₩ 72,636,364
Financial liabilities:				
Borrowings	₩ -	₩ 11,941,277	₩ -	₩ 11,941,277
Debentures	-	54,709,655	-	54,709,655
Other financial liabilities	-	-	1,573,960	1,573,960
	₩ -	₩ 66,650,932	₩ 1,573,960	₩ 68,224,892

Fair value hierarchy of financial assets and liabilities measured at fair value as of December 31, 2016 and 2015 is as follows (Korean won in millions):

(Dec. 31, 2016)

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL	₩ 1,210,523	₩ 688,542	₩ -	₩ 1,899,065
Hedging derivative assets	-	168,417	-	168,417
AFS financial assets	755,825	937,683	3,931,733	5,625,241
	₩ 1,966,348	₩ 1,794,642	₩ 3,931,733	₩ 7,692,723
Financial liabilities:				
Financial liabilities at FVTPL	₩ -	₩ 852,699	₩ -	₩ 852,699
Hedging derivative liabilities	-	2,335,530	-	2,335,530
	₩ -	₩ 3,188,229	₩ -	₩ 3,188,229

(Dec. 31, 2015)

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL	₩ 1,100,250	₩ 347,194	₩ -	₩ 1,447,444
Hedging derivative assets	-	282,924	-	282,924
AFS financial assets	200,957	538,703	3,704,041	4,443,701
	₩ 1,301,207	₩ 1,168,821	₩ 3,704,041	₩ 6,174,069
Financial liabilities:				
Financial liabilities at FVTPL	₩ -	₩ 807,231	₩ -	₩ 807,231
Hedging derivative liabilities	-	2,614,828	-	2,614,828
	₩ -	₩ 3,422,059	₩ -	₩ 3,422,059

The Bank classifies financial instruments as three level of fair value hierarchy as below;

Level 1: Financial instruments measured at quoted prices from active markets are classified as fair value Level 1. This level includes listed equity securities, derivatives, and government bonds traded in an active exchange market.

Level 2: Financial instruments measured using valuation techniques where all significant inputs are observable market data are classified as Level 2. This level includes the majority of debt and general over-the-counter derivatives such as swap, futures and options

Level 3: Financial instruments measured using valuation techniques where one or more significant inputs are not based on observable market data are classified as Level 3. This level includes unlisted equity securities, structured bonds and over-the-counter derivatives.

The valuation techniques and input variables of level 2 financial instruments subsequently not measured at fair value are as follows (Korean won in millions):

(Dec. 31, 2016)

	Fair value	Valuation techniques	Input variables
Financial assets			
HTM financial assets			
Debt securities	₩ 111,131	DCF Model	Discount rate
Financial liabilities			
Borrowings	9,762,894	DCF Model	Discount rate
Debentures	62,917,874	DCF Model	Discount rate

(Dec. 31, 2015)

		Fair value	Valuation techniques	Input variables
Financial assets				
HTM financial assets				
Debt securities	₩	108,009	DCF Model	Discount rate
Financial liabilities				
Borrowings		11,941,277	DCF Model	Discount rate
Debentures		54,709,655	DCF Model	Discount rate

The valuation techniques and input variables of level 3 financial instruments subsequently not measured at fair value as of December 31, 2016 and 2015 are as follows (Korean won in millions):

(Dec. 31, 2016)

		Fair value	Valuation techniques	Input variables
Financial assets				
Loans	₩	75,098,073	DCF Model	Discount rate
Other financial assets		983,090	DCF Model	Discount rate
Financial liabilities				
Other financial liabilities		1,641,018	DCF Model	Discount rate

(Dec. 31, 2015)

		Fair value	Valuation techniques	Input variables
Financial assets				
Loans	₩	66,696,379	DCF Model	Discount rate
Other financial assets		947,909	DCF Model	Discount rate
Financial liabilities				
Other financial liabilities		1,573,960	DCF Model	Discount rate

The valuation techniques and input variables of level 2 financial instruments, measured at fair value after initial recognition , as of December 31, 2016 and 2015 are as follows (Korean won in millions):

(Dec. 31, 2016)

		Fair value	Valuation techniques	Input variables
Financial assets				
Financial assets at FVTPL				
Debt securities	₩	41,193	DCF Model	Discount rate
Derivative assets for trading		647,349	DCF Model	Discount rate
Hedging derivative assets		168,417	DCF Model	Discount rate
AFS financial assets				
Debt securities		937,683	DCF Model	Discount rate
Financial liabilities				
Financial liabilities at FVTPL				
Derivative liabilities for trading		852,699	DCF Model	Discount rate
Hedging derivative liabilities		2,335,530	DCF Model	Discount rate

(Dec. 31, 2015)

	Fair value	Valuation techniques	Input variables
Financial assets			
Financial assets at FVTPL			
Debt securities	₩ 11,466	DCF Model	Discount rate
Derivative assets for trading	335,728	DCF Model	Discount rate
Hedging derivative assets	282,924	DCF Model	Discount rate
AFS financial assets			
Debt securities	538,703	DCF Model	Discount rate
Financial liabilities			
Financial liabilities at FVTPL			
Derivative liabilities for trading	807,231	DCF Model	Discount rate
Hedging derivative liabilities	2,614,828	DCF Model	Discount rate

Below table accounts for quantitative information of fair value using input factor, which is significant but unobservable, and relation between unobservable input factor and estimate of fair value.

	FY 2016 Fair value (Korean won in million)	Valuation techniques	Input factor which is significant but unobservable	Range	Relation between unobservable input factor and estimate of fair value
Available-for-sale financial assets					
Unlisted stock	3,931,733	Discounted cash flow	Discount rate	4.50%~20.04%	If discount rate is decreased (increased)/ if growth rate is increased (decrease), fair value is increased (decreased).

	FY 2015 Fair value (Korean won in millions)	Valuation techniques	Input factor which is significant but unobservable	Range	Relation between unobservable input factor and estimate of fair value
Available-for-sale financial assets					
Unlisted stock	3,704,041	Discounted cash flow	Discount rate	4.76%~15.74%	If discount rate is decreased (increased)/ if growth rate is increased (decrease), fair value is increased (decreased).

1) Changes in Level 3 financial assets that are measured at fair value for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

(2016)

	Beginning balance	Profit (loss)	Other comprehen-sive income	Purchases / issues	Sales/ settlements	Transfers into Level 3 / Transfers out of Level 3	Ending balance
Financial assets							
AFS financial assets	₩ 3,704,041	₩ (114)	₩ 192,185	₩ 34,434	₩ (2,703)	₩ 3,890	₩ 3,931,733

(2015)

	Beginning balance	Profit (loss)	Other comprehen-sive income	Purchases / issues	Sales/ settlements	Transfers into Level 3 / Transfers out of Level 3	Ending balance
Financial assets							
AFS financial assets	₩ 3,677,652	₩ (3,984)	₩ 12,216	₩ 39,404	₩ (1,246)	₩ (20,001)	₩ 3,704,041

2) In relation with changes in Level 3 of the fair value hierarchy, total gains or losses recognized in profit or loss for the period, and total gains or losses for financial instruments held at the end of the reporting period in the separate statement of comprehensive income for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

	2016		2015	
Total gains (losses) for financial instruments held at the end of the reporting period	₩	(114)	₩	(3,984)
Total losses included in profit or loss for the period	₩	(114)	₩	(3,984)

3) The sensitivity of fair value analysis for the Level 3 financial instruments

The Bank performed the sensitivity analysis for the Level 3 financial instruments for which fair value would be measured differently upon reasonably possible alternative assumptions. The Bank classified the effect from changes upon the alternative assumptions into favorable effect and unfavorable effect and presented the most favorable effect or the most unfavorable effect in the table hereunder. Stocks are the financial instruments subject to sensitivity analysis, which are classified as Level 3 and of for which changes in fair value are recognized as other comprehensive income. Meanwhile, equity instruments which are recognized as cost among the financial instruments and are classified as Level 3 are excluded from the sensitivity analysis.

Sensitivity analysis details per market risk variable of each Level 3 financial instrument held and measured at fair value are as follows (Korean won in millions):

(Dec. 31, 2016)

	Net income (loss)				Other comprehensive income (loss)			
	Favorable		Unfavorable		Favorable		Unfavorable	
Financial assets:								
AFS Financial assets (*)	₩	-	₩	-	₩	4,477,511	₩	(1,106,192)

(*) Changes in fair value of stocks are computed along with the increases or decreases in either growth rate from nil to 1 percent and discount rate or liquidation value from negative 1 percent to 1 percent and discount rate, which are unobservable inputs.

(Dec. 31, 2015)

	Net income (loss)				Other comprehensive income (loss)			
	Favorable		Unfavorable		Favorable		Unfavorable	
Financial assets:								
AFS Financial assets (*)	₩	-	₩	-	₩	3,883,588	₩	(1,020,553)

(*) Changes in fair value of stocks are computed along with the increases or decreases in either growth rate from nil to 1 percent and discount rate or liquidation value from negative 1 percent to 1 percent and discount rate, which are unobservable inputs.

(3) The table below provides the Bank's financial assets and financial liabilities that are carried at cost since the fair values of the financial instruments are not readily determinable in the separate statements of financial position. (Korean won in millions):

	Dec. 31, 2016		Dec. 31, 2015	
AFS financial assets				
Unlisted securities (*)	₩	1,396,762	₩	1,382,821
Equity investments to unincorporated entities. (*)		5,448		10,240
	₩	1,402,210	₩	1,393,061

(*) AFS financial assets are unlisted equity securities and equity investments and recorded as at cost since they do not have quoted prices in an active market and the fair values are not measured with reliability.

5-2. Carrying amounts of financial instruments

Carrying amounts of financial instruments as of December 31, 2016 and 2015 are as follows (Korean won in millions):

(Dec. 31, 2016)

	Financial assets at FVTPL	Loans	Available-for-sale financial assets	Held-to-maturity financial assets	Hedging derivative assets	Total
Cash and due from financial institutions	₩ -	₩ 3,863,279	₩ -	₩ -	₩ -	₩ 3,863,279
Financial assets at FVTPL	1,899,065	-	-	-	-	1,899,065
Hedging derivative assets	-	-	-	-	168,417	168,417
Loans	-	73,418,788	-	-	-	73,418,788
Financial investments	-	-	7,027,451	111,334	-	7,138,785
Other financial assets	-	983,090	-	-	-	983,090
Total	₩ 1,899,065	₩ 78,265,157	₩ 7,027,451	₩ 111,334	₩ 168,417	₩ 87,471,424

	Financial liabilities at FVTPL	Financial liabilities at amortized cost	Hedging derivative liabilities	Total
Financial liabilities at FVTPL	₩ 852,699	₩ -	₩ -	₩ 852,699
Hedging derivative liabilities	-	-	2,335,530	2,335,530
Borrowings	-	9,761,389	-	9,761,389
Debentures	-	62,119,016	-	62,119,016
Other financial liabilities	-	1,641,018	-	1,641,018
Total	₩ 852,699	₩ 73,521,423	₩ 2,335,530	₩ 76,709,652

(Dec. 31, 2015)

	Financial assets at FVTPL	Loans	Available-for-sale financial assets	Held-to-maturity financial assets	Hedging derivative assets	Total
Cash and due from financial institutions	₩ -	₩ 4,884,110	₩ -	₩ -	₩ -	₩ 4,884,110
Financial assets at FVTPL	1,447,444	-	-	-	-	1,447,444
Hedging derivative assets	-	-	-	-	282,924	282,924
Loans	-	66,634,042	-	-	-	66,634,042
Financial investments	-	-	5,836,763	108,487	-	5,945,250
Other financial assets	-	947,909	-	-	-	947,909
Total	₩ 1,447,444	₩ 72,466,061	₩ 5,836,763	₩ 108,487	₩ 282,924	₩ 80,141,679

	Financial liabilities at FVTPL	Financial liabilities at amortized cost	Hedging derivative liabilities	Total
Financial liabilities at FVTPL	₩ 807,231	₩ -	₩ -	₩ 807,231
Hedging derivative liabilities	-	-	2,614,828	2,614,828
Borrowings	-	11,957,572	-	11,957,572
Debentures	-	53,239,616	-	53,239,616
Other financial liabilities	-	1,573,960	-	1,573,960
Total	₩ 807,231	₩ 66,771,148	₩ 2,614,828	₩ 70,193,207

5-3. Offset on financial instruments

The Bank has financial instruments with conditional rights that are enforceable and exercisable to without meeting some or all of the offsetting criteria set forth in K-IFRS 1032 for financial instruments. Cash collaterals do not meet the offsetting criteria in K-IFRS 1032, but they can be offset with net amount of financial instruments.

The effects of netting agreements as of December 31, 2016 and 2015 are as follow (Korean won in millions):

(Dec. 31, 2016)

	Gross amounts of recognized financial assets (liabilities)	Gross amounts of recognized financial liabilities (assets) to be setoff	Net amounts of financial assets (liabilities) presented in the separate statement of financial position	Amount that is not offset in the financial statements: Financial instruments	Amount that is not offset in the financial statements: Cash collateral	Net amount
Financial assets:						
Derivatives	₩ 815,766	₩ -	₩ 815,766	₩ (371,033)	₩ -	₩ 444,733
	815,766	-	815,766	(371,033)	-	444,733
Financial liabilities:						
Derivatives	3,188,229	-	3,188,229	(371,033)	(1,638,738)	1,178,458
Total	₩ 3,188,229	₩ -	₩ 3,188,229	₩ (371,033)	₩(1,638,738)	₩1,178,458

(Dec. 31, 2015)

	Gross amounts of recognized financial assets (liabilities)	Gross amounts of recognized financial liabilities (assets) to be setoff	Net amounts of financial assets (liabilities) presented in the separate statement of financial position	Amount that is not offset in the financial statements: Financial instruments	Amount that is not offset in the financial statements: Cash collateral	Net amount
Financial assets:						
Derivatives	₩ 618,652	₩ -	₩ 618,652	₩ (320,676)	₩ -	₩ 297,976
	618,652	-	618,652	(320,676)	-	297,976
Financial liabilities:						
Derivatives	3,422,059	-	3,422,059	(320,676)	(1,918,005)	1,183,378
Total	₩ 3,422,059	₩ -	₩ 3,422,059	₩ (320,676)	₩(1,918,005)	₩1,183,378

5-4. Transfer of financial assets

The Bank has securities sold under repurchase agreements (RP), and it refers to the financial assets that have been transferred but presented in the financial statements since the assets do not meet the conditions of derecognition. In case of securities sold under the repurchase agreement, securities are disposed, but the Bank agrees to repurchase at the fixed amount, so that the Bank retains substantially all the risks and rewards of ownership of the securities. The Bank does not hold any assets transferred and related liabilities as of December 31, 2016 and 2015.

6. OPERATING SEGMENT:

Though the Bank conducts business activities related to financial services, in accordance with relevant laws such as the Export-Import Bank of Korea Act, it does not report separate segment information, as management considers the Bank to be operating under one core business.

7. CASH AND DUE FROM FINANCIAL INSTITUTIONS:

(1) Cash and cash equivalents as of December 31, 2016 and 2015 are as follows (Korean won in millions):

Detail	Dec. 31, 2016	Dec. 31, 2015
Due from financial institutions in local currency	₩ 441,618	₩ 113,365
Due from financial institutions in foreign currencies	3,421,661	4,770,745
Subtotal	3,863,279	4,884,110
Restricted due from financial institutions	(2,178,585)	(2,328,803)
Due from financial institutions with original maturities of more than three months at acquisition date	(330,000)	(100,000)
Subtotal	(2,508,585)	(2,428,803)
Total(*)	₩ 1,354,694	₩ 2,455,307

(*) It is equal to the due from financial institutions as presented on the separate statements of cash flows.

(2) Details of due from financial institutions as of December 31, 2016 and 2015 are as follows (Korean won in millions):

Detail	Dec. 31, 2016		Dec. 31, 2015	
	Amount	Interest (%)	Amount	Interest (%)
Due from financial institutions in local currency:				
Demand deposits	₩ 1,857	-	₩ 1,184	-
Time deposits	330,000	1,60 ~ 1.94	100,000	1.89 ~ 2.11
Others	3,800	1.35	10,600	1.35
Margin for derivatives	105,961	-	1,581	-
Subtotal	441,618		113,365	
Due from financial institutions in foreign currencies:				
Demand deposits	39,892	-	46,875	-
Time deposits	682,502	0.00 ~ 0.66	633,204	0.05~0.54
On demand	362,884	-	1,203,481	-
Offshore demand deposits	46,230	-	783	-
Others	2,287,237	0.00 ~ 0.45	2,884,175	0.00 ~ 0.45
Margin for derivatives	2,916	-	2,227	-
Subtotal	3,421,661		4,770,745	
Total	₩ 3,863,279		₩ 4,884,110	

(3) Restricted due from financial institutions as of December 31, 2016 and 2015 are as follows (Korean won in millions):

Detail	Financial Institution	Dec. 31, 2016	Dec. 31, 2015	Reason for restriction
Others	DEUTSCHE BANK TRUST COMPANY AMERICAS and others	₩ 2,178,585	₩ 2,328,803	Credit support annex for derivative transactions

8. FINANCIAL ASSETS AT FVTPL:

Details of financial assets at FVTPL as of December 31, 2016 and 2015 are as follows (Korean won in millions):

	Dec. 31, 2016	Dec. 31, 2015
Equity securities		
Beneficiary certificates	₩ 1,210,523	₩ 1,100,250
Debt securities		
Debt securities in foreign currency	41,193	11,466
Derivative assets		
Stocks	2,151	-
Interest product	231,219	26,436
Currency product	413,979	309,292
Subtotal	647,349	335,728
Total	₩ 1,899,065	₩ 1,447,444

9. FINANCIAL INVESTMENTS:

Details of financial investments as of December 31, 2016 and 2015 are as follows (Korean won in millions):

	Dec. 31, 2016	Dec. 31, 2015
AFS securities in local currency		
Equity securities		
Marketable securities	₩ 755,825	₩ 201,814
Non-marketable securities	5,248,767	5,057,721
Equity investments in unincorporated entities	41,822	21,259
Others	23,097	12,843
Debt securities		
Debt securities	353,467	-
Subtotal	6,422,978	5,293,637
AFS securities in foreign currency		
Debt securities		
Debt securities	584,215	538,703
Equity securities		
Paid-in capital	4,423	4,423
Stocks	15,835	-
Subtotal	604,473	543,126
Held-to-maturity securities in foreign currency		
Debt securities	111,334	108,487
Total	₩ 7,138,785	₩ 5,945,250

10. LOANS:

Loans as presented below exclude loan valuation adjustment related to fair value hedging amounting to ₩47,397 million and ₩73,236 million, as of December 31, 2016 and 2015, respectively.

(1) Details of loans as of December 31, 2016 and 2015 are as follows (Korean won in millions):

	Detail	Dec. 31, 2016	Dec. 31, 2015
Loans in local currency	Loans for export	₩ 10,590,820	₩ 10,022,782
	Loans for foreign investments	798,796	792,726
	Loans for import	1,391,905	1,192,280
	Troubled debt restructuring	1,973,981	2,628,688
	Others	1,422,853	316,377
	Subtotal	16,178,355	14,952,853
Loans in foreign currencies	Loans for export	29,592,407	25,471,097
	Loans for foreign investments	22,709,442	21,939,428
	Loans for rediscounted trading notes	84,595	392,620
	Loans for import	2,138,489	2,122,320
	Overseas funding loans	590,133	612,018
	Domestic usance bills	211,097	468,178
	Others	196,838	379,761
	Subtotal	55,523,001	51,385,422
Others	Foreign-currency bills bought	1,348,135	1,348,597
	Advance for customers	353,618	23,809
	Call loans	2,765,307	901,594
	Interbank loans in foreign currency	555,645	799,945
	Subtotal	5,022,705	3,073,945
Total loan		76,724,061	69,412,220
Net deferred origination fees and costs		(426,935)	(446,118)
Allowance for loan losses		(2,925,735)	(2,405,296)
Total		₩ 73,371,391	₩ 66,560,806

(2) Loans classified by type of customers as of December 31, 2016 and 2015 are as follows (Korean won in millions):

(Dec. 31, 2016)

	Detail	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)
Customer	Large corporations	₩ 7,423,734	₩ 34,017,701	₩ 569,826	₩ 42,011,261	62.29
	Small and medium companies	7,671,167	7,181,736	205,582	15,058,485	22.33
	Public sector and others	419,103	9,938,046	8,494	10,365,643	15.38
	Balance	15,514,004	51,137,483	783,902	67,435,389	100.00
	Net deferred origination fees and costs	(3,193)	(420,868)	-	(424,061)	
	Allowance for loan losses	(1,847,258)	(913,829)	(142,853)	(2,903,940)	
	Subtotal	13,663,553	49,802,786	641,049	64,107,388	
Financial institution	Banks	664,351	2,787,481	3,929,626	7,381,458	79.47
	Others	-	1,598,037	309,177	1,907,214	20.53
	Balance	664,351	4,385,518	4,238,803	9,288,672	100.00
	Net deferred origination fees and costs	-	(2,874)	-	(2,874)	
	Allowance for loan losses	(941)	(17,198)	(3,656)	(21,795)	
	Subtotal	663,410	4,365,446	4,235,147	9,307,593	
	Total	₩ 14,326,963	₩ 54,168,232	₩ 4,876,196	₩ 73,371,391	

(Dec. 31, 2015)

	Detail	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)
Customer	Large corporations	₩ 6,785,033	₩ 30,395,199	₩ 213,906	₩ 37,394,138	59.41
	Small and medium companies	7,787,141	7,359,660	237,922	15,384,723	24.45
	Public sector and others	12,000	10,053,800	94,314	10,160,114	16.14
	Balance	14,584,174	47,808,659	546,142	62,938,975	100.00
	Net deferred origination fees and costs	(2,139)	(440,256)	-	(442,395)	
	Allowance for loan losses	(1,861,456)	(502,179)	(22,511)	(2,386,146)	
	Subtotal	12,720,579	46,866,224	523,631	60,110,434	
Financial institution	Banks	368,679	2,190,861	2,112,014	4,671,554	72.17
	Others	-	1,385,903	415,788	1,801,691	27.83
	Balance	368,679	3,576,764	2,527,802	6,473,245	100.00
	Net deferred origination fees and costs	-	(3,723)	-	(3,723)	
	Allowance for loan losses	(255)	(17,523)	(1,372)	(19,150)	
	Subtotal	368,424	3,555,518	2,526,430	6,450,372	
	Total	₩ 13,089,003	₩ 50,421,742	₩ 3,050,061	₩ 66,560,806	

(3) Changes in allowance for loan losses for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

(2016)

	Individual assessment		Collective assessment		Total	
Beginning balance	₩	1,994,753	₩	410,543	₩	2,405,296
Written-off		(458,272)		(94,618)		(552,890)
Collection of written-off loans		48,043		16,971		65,014
Loan-for-equity swap		(749,980)		(2,646)		(752,626)
Others		-		(124,729)		(124,729)
Unwinding effect		(39,148)		(9,743)		(48,891)
Foreign exchange translation		1,877		4,087		5,964
Provision for loan losses		1,077,240		851,357		1,928,597
Transfer		354,202		(354,202)		-
Ending balance	₩	2,228,715	₩	697,020	₩	2,925,735

(2015)

	Individual assessment		Collective assessment		Total	
Beginning balance	₩	1,473,030	₩	340,603	₩	1,813,633
Written-off		(161,374)		(22,272)		(183,646)
Collection of written-off loans		1,428		783		2,211
Loan-for-equity swap		(15,223)		(28,145)		(43,368)
Others		-		(644)		(644)
Unwinding effect		(27,629)		(2,784)		(30,413)
Foreign exchange translation		4,076		7,850		11,926
Provision for loan losses		491,682		343,915		835,597
Transfer		228,763		(228,763)		-
Ending balance	₩	1,994,753	₩	410,543	₩	2,405,296

11. INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES:

(1) Details of investments in associates and subsidiaries as of December 31, 2016 and 2015 are as follows (Korean won in millions):

(Dec. 31, 2016)

Company(*1)	Detail	Location	Business	Yearend	Owner ship (%)	Net asset	Carrying amount
KEXIM Bank UK Limited	Subsidiary	United Kingdom	Finance	December	100.00	₩ 44,107	₩ 48,460
KEXIM Vietnam Leasing Co.	Subsidiary	Vietnam	Finance	December	100.00	15,851	10,275
PT.KOEXIM Mandiri Finance	Subsidiary	Indonesia	Finance	December	85.00	24,730	25,270
KEXIM Asia Limited	Subsidiary	Hong Kong	Finance	December	100.00	65,709	49,139
Korea Asset Management Corporation	Associate	Korea	Finance	December	25.86	446,956	380,520
Credit Guarantee and Investment Fund(*2)	Associate	Philippines	Finance	December	14.29	127,209	115,486
Korea Marine Guarantee Incorporated Company(*4)	Associate	Korea	Finance	December	52.63	130,811	135,000
SUNGDONG Shipbuilding & Marine Engineering Co, Ltd. (*3)	Associate	Korea	Shipbuilding	December	70.71	(918,623)	-
DAESUN Shipbuilding & Engineering Co, Ltd.(*3)	Associate	Korea	Shipbuilding	December	67.27	(262,593)	-
EQP Global Energy Infrastructure Private Equity Fund (PEF)	Associate	Korea	Finance	December	22.64	(417)	280
KTB Newlake Global Healthcare PEF	Associate	Korea	Finance	December	25.00	760	1,153
KBS-KDB Private Equity Fund	Associate	Korea	Finance	December	20.83	421	501
Total							₩ 766,084

(Dec. 31, 2015)

Company(*1)	Detail	Location	Business	Yearend	Owner ship (%)	Net asset	Carrying amount
KEXIM Bank UK Limited	Subsidiary	United Kingdom	Finance	December	100.00	₩ 49,129	₩ 48,460
KEXIM Vietnam Leasing Co.	Subsidiary	Vietnam	Finance	December	100.00	13,842	10,275
PT.KOEXIM Mandiri Finance	Subsidiary	Indonesia	Finance	December	85.00	24,926	25,270
KEXIM Asia Limited	Subsidiary	Hong Kong	Finance	December	100.00	60,971	49,139
Korea Asset Management Corporation	Associate	Korea	Finance	December	25.86	430,985	380,520
Credit Guarantee and Investment Fund(*2)	Associate	Philippines	Finance	December	14.29	121,414	115,486
Korea Marine Guarantee Incorporated Company	Associate	Korea	Finance	December	49.99	48,847	50,000
SUNGDONG Shipbuilding & Marine Engineering Co, Ltd. (*3)	Associate	Korea	Shipbuilding	December	70.71	(1,020,391)	-
DAESUN Shipbuilding & Engineering Co, Ltd.(*3)	Associate	Korea	Shipbuilding	December	67.27	(259,708)	-
EQP Global Energy Infrastructure Private Equity Fund (PEF)	Associate	Korea	Finance	December	22.64	(105)	175
Total							₩ 679,325

(*1) In cases of associates, the amounts represent net asset after taking into account the percentage of ownership.

(*2) As of December 31, 2016 and 2015, Credit Guarantee and Investment Fund are classified into an associate because the Bank has significant influence in the way of representation on the board of directors or equivalent governing body of the investee.

(*3) Those companies are under the creditor-led work out program. The Bank should have at least 75% of the total creditor's loans to have substantive control based on the creditor's agreement. As the Bank has only 70.71% and 67.27%, respectively, of the total creditor's loans, those are classified into an associate.

(*4) Based on the shareholders' agreement, the Bank does not have substantial control over the entity, thereby classifies the entity as an associate.

(2) Changes in investments in associates and subsidiaries for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

(2016)

Company	Detail	Beginning balance	Acquisition	Impairment loss	Ending balance
KEXIM Bank UK Limited	Subsidiary	₩ 48,460	₩ -	₩-	₩ 48,460
KEXIM Vietnam Leasing Co.	Subsidiary	10,275	-	-	10,275
PT.KOEXIM Mandiri Finance	Subsidiary	25,270	-	-	25,270
KEXIM Asia Limited	Subsidiary	49,139	-	-	49,139
Korea Asset Management Corporation	Associate	380,520	-	-	380,520
Credit Guarantee and Investment Fund	Associate	115,486	-	-	115,486
Korea Marine Guarantee Inc.	Associate	50,000	85,000		135,000
SUNGDONG Shipbuilding & Marine Engineering Co. Ltd.	Associate	-	3,382	(3,382)	-
DAESUN Shipbuilding & Engineering Co, Ltd.	Associate	-	1,033	(1,033)	-
EQP Global Energy Infrastructure Private Equity Fund (PEF)	Associate	175	105	-	280
KTB Newlake Global Healthcare PEF	Associate	-	1,153	-	1,153
KBS-KDB Private Equity Fund	Associate	-	501	-	501
Total		₩ 679,325	₩ 91,174	₩ (4,415)	₩ 766,084

(2015)

Company	Detail	Beginning balance	Acquisition	Impairment loss	Ending balance
KEXIM Bank UK Limited	Subsidiary	₩ 48,460	-	₩ -	₩ 48,460
KEXIM Vietnam Leasing Co.	Subsidiary	10,275	-	-	10,275
PT.KOEXIM Mandiri Finance	Subsidiary	25,270	-	-	25,270
KEXIM Asia Limited	Subsidiary	49,139	-	-	49,139
Korea Asset Management Corporation	Associate	380,520	-	-	380,520
Credit Guarantee and Investment Fund	Associate	115,486	-	-	115,486
Korea Marine Guarantee Inc.	Associate	30,000	20,000	-	50,000
SUNGDONG Shipbuilding & Marine Engineering Co. Ltd.	Associate	-	-	-	-
DAESUN Shipbuilding & Engineering Co, Ltd.	Associate	-	-	-	-
EQP Global Energy Infrastructure Private Equity Fund (PEF)	Associate	-	175	-	175
Total		₩ 659,150	₩ 20,175	₩ -	₩ 679,325

(3) Summarized financial information of associates and subsidiaries as of and for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

(2016)

Company	Assets	Liabilities	Operating income(loss)	Net income (loss)
KEXIM Bank UK Limited	₩ 525,225	₩ 481,117	₩ 2,881	₩ 1,759
KEXIM Vietnam Leasing Co.	167,145	151,294	1,835	1,515
PT.KOEXIM Mandiri Finance	172,187	143,093	3,492	3,419
KEXIM Asia Limited	422,804	357,094	3,284	2,736
Korea Asset Management Corporation	2,546,010	817,641	57,506	97,236
Credit Guarantee and Investment Fund	940,953	50,755	10,892	10,805
Korea Marine Guarantee Inc.	259,610	11,061	(4,569)	(4,181)
SUNGDONG Shipbuilding & Marine Engineering Co. Ltd.	1,896,604	3,195,746	25,475	154,866
DAESUN Shipbuilding & Engineering Co, Ltd.	387,613	777,970	(25,466)	39,452
EQP Global Energy Infrastructure Private Equity Fund (PEF)	1	1,845	(1,846)	(1,846)
KTB Newlake Global Healthcare PEF	3,327	286	(1,002)	(1,002)
KBS-KDB Private Equity Fund	2,325	303	(384)	(384)

(2015)

Company	Assets	Liabilities	Operating income(loss)	Net income (loss)
KEXIM Bank UK Limited	₩ 537,201	₩ 488,072	₩ 5,153	₩ 4,174
KEXIM Vietnam Leasing Co.	162,272	148,430	1,980	1,546
PT.KOEXIM Mandiri Finance	162,987	138,061	3,984	3,451
KEXIM Asia Limited	415,007	354,036	3,875	3,224
Korea Asset Management Corporation	2,629,969	963,361	108,697	91,336
Credit Guarantee and Investment Fund	890,636	40,991	7,773	7,247
Korea Marine Guarantee Inc.	122,331	427	(2,262)	(2,263)
SUNGDONG Shipbuilding & Marine Engineering Co. Ltd.	2,087,995	3,531,060	(38,005)	(245,012)
DAESUN Shipbuilding & Engineering Co, Ltd.	396,381	782,448	(8,056)	(41,147)
EQP Global Energy Infrastructure Private Equity Fund (PEF)	3	465	(1,232)	(1,232)

12. TANGIBLE ASSETS:

(1) Details of tangible assets as of December 31, 2016 and 2015 are as follows (Korean won in millions):

(Dec. 31, 2016)

Detail	Acquisition cost	Accumulated depreciation	Government grant	Book value
Land	₩ 190,807	₩ -	₩ -	₩ 190,807
Buildings	97,539	(31,139)	(17)	66,383
Vehicles	4,087	(2,809)	-	1,278
Furniture and fixture	36,199	(21,530)	-	14,669
Total	₩ 328,632	₩ (55,478)	₩ (17)	₩ 273,137

(Dec. 31, 2015)

Detail	Acquisition cost	Accumulated depreciation	Government grant	Book value
Land	₩ 191,193	₩ -	₩ -	₩ 191,193
Buildings	97,825	(28,540)	(17)	69,268
Vehicles	3,828	(2,473)	-	1,355
Furniture and fixture	27,748	(18,066)	-	9,682
Total	₩ 320,594	₩ (49,079)	₩ (17)	₩ 271,498

(2) Changes in tangible assets for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

(2016)

Detail	Beginning balance	Acquisitions	Transfer	Disposals	Depreciation	Others	Ending balance
Lands	₩ 191,193	₩ -	₩ -	₩ (386)	₩ -	₩ -	₩ 190,807
Buildings	69,268	-	-	(186)	(2,699)	-	66,383
Vehicles	1,355	538	-	(12)	(603)	-	1,278
Furniture and fixture	9,682	9,343	-	(3)	(4,353)	-	14,669
Total	₩ 271,498	₩ 9,881	₩ -	₩ (587)	₩ (7,655)	₩ -	₩ 273,137

(2015)

Detail	Beginning balance	Acquisitions	Transfer	Disposals	Depreciation	Others	Ending balance
Lands	₩ 191,306	₩ -	₩ -	₩ (113)	₩ -	₩ -	₩ 191,193
Buildings	72,676	-	-	(19)	(3,372)	(17)	69,268
Vehicles	1,378	561	-	(18)	(566)	-	1,355
Furniture and fixture	8,179	4,850	-	(7)	(3,340)	-	9,682
Construction in progress	-	-	-	-	-	-	-
Total	₩ 273,539	₩ 5,411	₩ -	₩ (157)	₩ (7,278)	₩ (17)	₩ 271,498

13. INTANGIBLE ASSETS:

(1) Details of intangible assets as of December 31, 2016 and 2015 are as follows (Korean won in millions):

(Dec. 31, 2016)

Detail	Acquisition cost	Accumulated amortization	Accumulated impairment	Book value
Computer software	₩ 20,836	₩ (8,436)	₩ -	₩ 12,400
System development fees	45,906	(19,840)	-	26,066
Memberships	4,671	-	(538)	4,133
Total	₩ 71,413	₩ (28,276)	₩ (538)	₩ 42,599

(Dec. 31, 2015)

Detail	Acquisition cost	Accumulated amortization	Accumulated impairment	Book value
Computer software	₩ 12,071	₩ (6,652)	₩ -	₩ 5,419
System development fees	35,020	(16,571)	-	18,449
Memberships	5,180	-	(509)	4,671
Total	₩ 52,271	₩ (23,223)	₩ (509)	₩ 28,539

(2) Changes in intangible assets for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

(2016)

Detail	Beginning balance	Acquisitions	Disposals	Amortization	Reversal (impairment)	Ending balance
Computer software	₩ 5,419	₩ 8,766	₩ -	₩ (1,785)	₩ -	₩ 12,400
System development fees	18,449	10,885	-	(3,268)	-	26,066
Memberships	4,671	-	-	-	(538)	4,133
Total	₩ 28,539	₩ 19,651	₩ -	₩ (5,053)	₩ (538)	₩ 42,599

(2015)

Detail	Beginning balance	Acquisitions	Disposals	Amortization	Impairment	Ending balance
Computer software	₩ 4,725	₩ 2,099	₩ -	₩ (1,405)	₩ -	₩ 5,419
System development fees	8,785	12,176	-	(2,512)	-	18,449
Memberships	4,671	-	-	-	-	4,671
Total	₩ 18,181	₩ 14,275	₩ -	₩ (3,917)	₩ -	₩ 28,539

14. OTHER ASSETS:

(1) Details of other assets as of December 31, 2016 and 2015 are as follows (Korean won in millions):

	Dec. 31, 2016	Dec. 31, 2015
Other financial assets :		
Guarantee deposits	₩ 37,933	₩ 36,944
Accounts receivable	196,474	193,667
Accrued income	799,443	760,345
Receivable spot exchange	178	74
Allowances for loan losses on other assets	(50,938)	(43,120)
	983,090	947,910
Other assets :		
Advance payments	14,843	-
Prepaid expenses	17,080	7,155
Current income tax asset	2,942	2,561
Sundry assets	27,813	15,361
	62,678	25,077
Total	₩ 1,045,768	₩ 972,987

(2) Changes in allowances for loan losses on other assets for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

	2016	2015
Beginning balance	₩ 43,120	₩ 43,466
Write-off	(7,521)	(57)
Collection of written-off loans	58	-
Foreign exchange translation	2	3
Transfers in	7,815	(349)
Others	7,464	57
Ending balance	₩ 50,938	₩ 43,120

15. BORROWINGS:

(1) Details of borrowings as of December 31, 2016 and 2015 are as follows (Korean won in millions):

(Dec. 31, 2016)

Detail	Lender	Interest rate (%)	Amount
Borrowings in foreign currencies:			
Borrowings from the Goverment	MINISTRY OF STRATEGY AND FINANCE	LIBOR 3M+0.5 ~ LIBOR 3M+0.78	₩ 3,199,262
Long term borrowings from foreign financial institutions	BANK OF AMERICA N.A and others	LIBOR 3M+0.4 ~ LIBOR 3M+1.1	3,746,350
Discount on borrowings		-	(5,507)
Commercial papers (CP)	CITIBANK N.A., HONG KONG and others	0.27 ~ 2.00	2,433,674
Offshore commercial papers denominated in foreign currency	BARCLAYS BANK PLC LONDON	0.52 ~ 1.48	164,646
Others (Foreign banks)	DBS BANK LTD, SINGAPORE BRANCH and others	0.16 ~ 3.69	211,097
Others (CSA)	JP MORGAN CHASE and others	-	11,867
Total			₩ 9,761,389

(Dec. 31, 2015)

Detail	Lender	Interest rate (%)	Amount
Call Money			
Call money in local currency	Korea Development Bank	1.58	₩ 200,000
Borrowings in foreign currencies:			
Borrowings from the Goverment	MINISTRY OF STRATEGY AND FINANCE	0.25~0.50	3,097,502
Short term borrowings from domestic financial institutions	Small and Medium-Sized Banks	0.54~0.64	58,600
Short term borrowings from foreign financial institutions	HSBC BANK PLC, LONDON	0.52~0.68	117,200
Long term borrowings from foreign financial institutions	BANK OF TOKYO-MITSUBISHI UFJ, Ltd., and others	LIBOR 3M +0.3 ~ LIBOR 3M + 0.5	3,398,800
Discount on borrowings		-	(7,855)
Commercial papers (CP)	CITIBANK N.A., HONG KONG and others	0.10~2.5	4,613,392
Others (Foreign banks)	DEUTSCHE BANK AG, LONDON BRANCH RBS(TOKYO) and others	0.16~1.94	468,178
Others (CSA)	CITI BANK	-	11,755
Subtotal			11,757,572
Total			₩ 11,957,572

(2) Details of borrowings from financial institutions as of December 31, 2016 and 2015 are as follows (Korean won in millions):

(Dec. 31, 2016)

Detail	Call Money	Borrowings in foreign currency	Total
Banks	₩ -	₩ 6,562,127	₩ 6,562,127

(Dec. 31, 2015)

Detail	Call Money	Borrowings in foreign currency	Total
Banks	₩ 200,000	₩ 8,660,070	₩ 8,860,070

Borrowings presented above exclude present value discounts.

16. DEBENTURES:

Details of debentures as of December 31, 2016 and 2015 are as follows (Korean won in millions):

	Dec. 31, 2016		Dec. 31, 2015	
Detail	Interest rate (%)	Amount	Interest rate (%)	Amount
Local currency:				
Floating rate	1.49 ~1.65	₩ 2,070,000	1.68~1.89	₩ 1,520,000
Fixed rate	1.26 ~ 4.50	10,010,000	1.53~4.59	8,180,000
Balance		12,080,000		9,700,000
Fair value hedging income		(48,530)		(7,798)
Discount on debentures:		(47,354)		(43,128)
Subtotal		11,984,116		9,649,074
Foreign currencies				
Floating rate	Libor+0.3 ~Libor+1.0	9,427,017	Libor+0.2 ~Libor+0.9	8,338,799
Fixed rate	0.12 ~ 9.32	40,876,373	0.12~9.32	35,007,292
Balance		50,303,390		43,346,091
Fair value hedging income		(27,290)		388,140
Discount on debentures		(141,200)		(143,689)
Subtotal		50,134,900		43,590,542
Total		₩ 62,119,016		₩ 53,239,616

17. PROVISIONS:

(1) Details of provisions as of December 31, 2016 and 2015 are as follows (Korean won in millions):

	Dec. 31, 2016	Dec. 31, 2015
Provisions for acceptances and guarantees	₩ 1,407,910	₩ 241,719
Provisions for unused loan commitments	228,839	151,618
Provisions for others	15,198	-
Total	₩ 1,651,947	₩ 393,337

(2) Changes in provisions for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

(2016)

Detail	Acceptances and guarantees			Unused loan commitments	Others	Total
	Individual assessment	Collective assessment	Subtotal			
Beginning balance	₩ 50,761	₩ 190,958	₩ 241,719	₩ 151,618	₩ -	₩ 393,337
Foreign exchange translation	876	116	992	51	-	1,043
Additional provisions (Reversal of provision)	351,808	813,391	1,165,199	77,170	16,317	1,258,686
Transfers in (out)	59	(59)	-	-	-	-
Payments	-	-	-	-	(1,119)	(1,119)
Ending balance	₩ 403,504	₩ 1,004,406	₩1,407,910	₩ 228,839	₩ 15,198	₩ 1,651,947

(2015)

Detail	Acceptances and guarantees			Unused loan commitments	Total
	Individual assessment	Collective assessment	Subtotal		
Beginning balance	₩ 5,244	₩ 113,939	₩ 119,183	₩ 175,994	₩ 295,177
Foreign exchange translation	2	70	72	168	240
Additional provisions (Reversal of provision)	45,809	76,655	122,464	(24,544)	97,920
Transfers in (out)	(294)	294	-	-	-
Ending balance	₩ 50,761	₩ 190,958	₩ 241,719	₩ 151,618	₩ 393,337

18. RETIREMENT BENEFIT PLAN:

The Bank operates both defined benefit plan and defined contribution plan.

(1) Defined benefit plan

The Bank operates defined benefit plans which have the following characteristics:

- The entity has the obligation to pay the agreed benefits to all its current and past employees.
- The entity is liable for actuarial risk (excess of actual payment against expected amount) and investment risk.

The present value of the defined benefit obligation recognized in the separate statements of financial position is calculated annually by independent actuaries in accordance with actuarial valuation method. The present value of the defined benefit obligation is calculated using the Projected Unit Credit method (the 'PUC'). The data used in the PUC such as interest rates, future salary increase rate, mortality rate, consumer price index and expected return on plan asset are based on observable market data and historical data which are annually updated.

Actuarial assumptions may differ from actual results due to change in the market, economic trend and mortality trend which may affect defined benefit obligation liabilities and future payments. Actuarial gains and losses arising from changes in actuarial assumptions are recognized in the period incurred through other comprehensive income or loss.

(2) Details of defined benefit obligation as of December 31, 2016 and 2015 are as follows (Korean won in millions):

	Dec. 31, 2016	Dec. 31, 2015
Present value of defined benefit obligations	₩ 72,104	₩ 82,504
Fair value of plan assets	(70,012)	(34,716)
Defined benefit obligation, net	₩ 2,092	₩ 47,788

(3) Changes in net defined benefit obligations for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

(2016)

	Present value of the defined benefit obligation	Plan assets	Net defined benefit obligation
Beginning balance	₩ 82,504	₩ (34,716)	₩ 47,788
Contributions from the employer	-	(37,693)	(37,693)
Current service cost	10,605	-	10,605
Interest expense (income)	2,955	(1,246)	1,709
Return on plan assets, excluding the interest expense (income)	-	622	622
Actuarial gains and losses arising from changes in financial assumptions	(5,127)	-	(5,127)
Actuarial gains and losses arising from experience adjustments	(16,414)	-	(16,414)
Management fee on plan assets	-	76	76
Benefits paid	(2,418)	2,944	526
Ending balance	₩ 72,105	₩ (70,013)	₩ 2,092

(2015)

	Present value of the defined benefit obligation	Plan assets	Net defined benefit obligation
Beginning balance	₩ 82,626	₩ (35,363)	₩ 47,263
Contributions from the employer	-	(1,000)	(1,000)
Current service cost	11,217	-	11,217
Interest expense (income)	3,348	-	3,348
Return on plan assets, excluding the interest expense (income)	-	(1,439)	(1,439)
Actuarial gains and losses arising from changes in financial assumptions	(4,666)	637	(4,029)
Actuarial gains and losses arising from experience adjustments	(5,147)	-	(5,147)
Management fee on plan assets	-	80	80
Transfer in(out)	-	-	-
Benefits paid	(4,874)	2,369	(2,505)
Ending balance	₩ 82,504	₩ (34,716)	₩ 47,788

(4) Details of plan assets as of December 31, 2016 and 2015 are as follows (Korean won in millions):

	Dec. 31, 2016	Dec. 31, 2015
Cash and cash equivalent	₩ -	₩ 4,413
Debt securities	17,337	8,862
Others	52,675	21,441
Total	₩ 70,012	₩ 34,716

(5) Actuarial assumptions used in retirement benefit obligation assessment as of December 31, 2016 and 2015 are as follows:

	Dec. 31, 2016	Dec. 31, 2015
Discount rate	3.64%	3.59%
Expected wage growth rate	2.16%	2.50%

(6) Assuming that all the other assumptions remain unchanged, the effect of changes in the significant actuarial assumptions which were made within the reasonable limit on retirement benefit obligations as of December 31, 2016 and 2015 are as follows:

(Dec. 31, 2016)

Description	1% Increase	1% Decrease
Change of discount rate	(8,745)	10,520
Change of future salary increase rate:	10,575	(8,941)

(Dec. 31, 2015)

Description	1% Increase	1% Decrease
Change of discount rate	(10,980)	13,387
Change of future salary increase rate:	13,395	(11,179)

The above sensitivity analysis does not present any actual changes in the retirement benefit obligations as there is no change in actuarial assumptions which is independently made due to the correlation among the assumptions. In addition, the actuarial present value of promised retirement benefits in the sensitivity analysis is determined using the projected unit credit method, which is used in the calculation of the retirement benefit obligations in the separate financial statements.

(7) Retirement benefit cost incurred from the defined contribution plan for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

	2016	2015
Retirement benefit cost	₩ 562	₩ 423

19. OTHER LIABLITIES:

Details of other liabilities as of December 31, 2016 and 2015 are as follows (Korean won in millions):

	Dec. 31, 2016	Dec. 31, 2015
Other financial liabilities:		
Financial guarantee contract liabilities	₩ 969,765	₩ 824,988
Foreign exchanges payable	43,178	146,108
Accounts payable	18,463	42,439
Accrued expenses	609,449	560,266
Guarantee deposit received	163	159
Subtotal	1,641,018	1,573,960
Other liabilities:		
Allowance for credit loss in derivatives	38,232	36,681
Unearned income	145,060	187,782
Sundry liabilities	8,334	5,203
Subtotal	191,626	229,666
Total	₩ 1,832,644	₩ 1,803,626

20. DERIVATIVES:

The Bank operates derivatives both for trading and hedging purposes. Derivatives held for trading purpose are included in financial assets and liabilities at FVTPL.

(1) Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. When applying fair value hedge, the gain or loss on the hedged item attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognized in profit or loss.

The Bank shall discontinue prospectively the fair value hedge if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Bank revokes the designation. Any adjustment arising from the gain or loss on the hedged item attributable to the hedged risk to the carrying amount of a hedged financial instrument for which the effective interest method is used shall be amortized to profit or loss.

The Bank uses interest rate swaps for hedging changes of fair values in hedged items arising from changes in interest rates. The Bank also uses currency swaps for hedging changes of fair values in hedged items arising from changes in foreign exchange rates

(2) Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction and could affect profit or loss. When applying cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge are recognized in other comprehensive income; and the ineffective portion of the gain or loss on the hedging instrument are recognized in profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss.

The Bank shall discontinue prospectively the cash flow hedge if hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Bank revokes the designation. If the forecasted transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income from the period when the hedge was effective are reclassified from equity to profit or loss as a reclassification adjustment.

The Bank uses interest rate swaps for hedging changes of cash flows in hedged items arising from changes in interest rates. The Bank also uses currency swaps for hedging changes of cash flows in hedged items arising from changes in foreign exchange.

(3) Details of derivative assets and liabilities as of December 31, 2016 and 2015 are as follows (Korean won in millions):

(Dec. 31, 2016)

Detail	Notional	Derivative assets			
		Fair value hedge	Cash flow hedge	Trading	Total
Interest:					
Interest rate swaps	₩ 34,406,712	₩ 163,959	₩ -	₩ 231,219	₩ 395,178
Currency:					
Currency forwards	5,581,111	-	-	145,185	145,185
Currency swaps	23,132,311	4,458	-	268,794	273,252
Subtotal	28,713,422	4,458	-	413,979	418,437
Stock:					
Stock options	-	-	-	2,151	2,151
Total	₩ 63,120,134	₩ 168,417	₩ -	₩ 647,349	₩ 815,766

Detail	Notional	Derivative liabilities			
		Fair value hedge	Cash flow hedge	Trading	Total
Interest:					
Interest rate swaps	₩ 34,406,712	₩ 281,054	₩ -	₩ 249,051	₩ 530,105
Currency:					
Currency forwards	5,581,111	-	-	157,340	157,340
Currency swaps	23,132,311	2,054,476	-	446,308	2,500,784
Subtotal	28,713,422	2,054,476	-	603,648	2,658,124
Stock:					
Stock options	-	-	-	-	-
Total	₩ 63,120,134	₩ 2,335,530	₩ -	₩ 852,699	₩ 3,188,229

(Dec. 31, 2015)

Detail	Notional	Derivative assets			
		Fair value hedge	Cash flow hedge	Trading	Total
Interest:					
Interest rate swaps	₩ 23,110,758	₩ 269,882	₩ -	₩ 26,436	₩ 296,318
Currency:					
Currency forwards	6,155,857	-	-	208,011	208,011
Currency swaps	19,101,356	13,042	-	101,281	114,323
Subtotal	25,257,213	13,042	-	309,292	322,334
Total	₩ 48,367,971	₩ 282,924	₩ -	₩ 335,728	₩ 618,652

Detail	Notional	Derivative liabilities			
		Fair value hedge	Cash flow hedge	Trading	Total
Interest:					
Interest rate swaps	₩ 23,110,758	₩ 99,345	₩ 719	₩ 59,556	₩ 159,620
Currency:					
Currency forwards	6,155,857	-	-	95,634	95,634
Currency swaps	19,101,356	2,514,764	-	652,041	3,166,805
Subtotal	25,257,213	2,514,764	-	747,675	3,262,439
Total	₩ 48,367,971	₩ 2,614,109	₩ 719	₩ 807,231	₩ 3,422,059

(4) Gains and losses from fair value hedging instruments and hedged items attributable to the hedged risk for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

	2016		2015	
Fair value hedge – hedged items	₩	447,638	₩	42,438
Fair value hedge – hedging instruments	₩	(656,561)	₩	(1,384,686)

(5) The Bank recognized ₩1,300 million and ₩2,548 million as other comprehensive income (losses) (not adjusting tax effect), and cash flow hedge ineffectiveness of ₩(95) thousand and ₩35 million was recognized in earnings for the years ended December 31, 2016 and 2015.

21. CAPITAL STOCK:

As of December 31, 2016, the authorized capital and paid-in capital of the Bank are ₩15,000,000 million and ₩10,398,055 million, respectively. The Bank does not issue share certificates.

Changes in capital stock for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

	2016		2015	
Beginning balance	₩	8,878,055	₩	7,748,055
Paid-in capital increase		1,520,000		1,130,000
Ending balance	₩	10,398,055	₩	8,878,055

22. OTHER COMPONENTS OF EQUITY:

(1) Details of other components of equity as of December 31, 2016 and 2015 are as follows (Korean won in millions):

	Dec. 31, 2016		Dec. 31, 2015	
Unrealized gain of AFS securities	₩	259,565	₩	116,369
Loss on valuation of cash flow hedge		854		(131)
Remeasurement elements of net defined benefit liability		19,598		3,742
Total	₩	280,017	₩	119,980

(2) Changes in other reserves for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

(2016)

	Beginning balance		Increase (decrease)		Tax effect		Ending balance	
Gain (loss) on valuation of AFS securities	₩	116,369	₩	188,914	₩	(45,718)	₩	259,565
Loss on valuation of cash flow hedge		(131)		1,298		(314)		853
Remeasurement of net defined benefit liability		3,742		20,918		(5,061)		19,599
Total	₩	119,980	₩	211,130	₩	(51,093)	₩	280,017

(2015)

	Beginning balance	Increase (decrease)	Tax effect	Ending balance
Gain (loss) on valuation of AFS securities	₩ 116,276	₩ 121	₩ (28)	₩ 116,369
Loss on valuation of cash flow hedge	(2,062)	2,548	(617)	(131)
Remeasurement of net defined benefit liability	(3,212)	9,175	(2,221)	3,742
Total	₩ 111,002	₩ 11,844	₩ (2,866)	₩ 119,980

23. RETAINED EARNINGS:

(1) Details of retained earnings as of December 31, 2016 and 2015 are as follows (Korean won in millions):

	Dec. 31, 2016	Dec. 31, 2015
Legal reserve (*1)	₩ 328,856	₩ 326,661
Voluntary reserve (*2)	1,216,737	1,106,825
Reserve for bad loan	476,882	572,420
Unappropriated retained earnings(deficit)	(1,487,289)	21,957
Total	₩ 535,186	₩ 2,027,863

(*1) Pursuant to the EXIM Bank Act, the Bank appropriates 10% of net income for each accounting period as legal reserve, until the accumulated reserve equals to its paid-in capital.

(*2) The Bank appropriates the remaining balance of net income, after the appropriation of legal reserve and declaration of dividends, to voluntary reserve.

(2) Changes in retained earnings for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

	2016	2015
Beginning balance	₩ 2,027,863	₩ 2,021,095
Net income (loss) for the period	(1,487,289)	21,957
Dividends	(5,388)	(15,189)
Ending balance	₩ 535,186	₩ 2,027,863

(3) Details of dividends for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

	2016	2015
The Government	₩ 3,981	₩ 10,644
BOK	707	2,284
Korea Development Bank	700	2,261
Total	₩ 5,388	₩ 15,189

(4) Statements of appropriations of retained earnings(deficit) for the years ended December 31, 2016 and 2015 are as follows (Korean Won in millions):

	2016 (Expected date of appropriation: Mar. 29, 2017)		2015 (Date of appropriation: Mar. 15, 2016)	
I. RETAINED EARNINGS(deficit) BEFORE APPROPRIATIONS:		₩(1,487,288)		₩ 21,957
1. Unappropriated retained earnings carried over from prior years	₩ -		₩ -	
2. Net income (loss)	(1,487,288)		21,957	
II. Other reserve transferred		-		95,538
III. APPROPRIATIONS:		(1,487,288)		117,495
1. Legal reserve (*2)	-		2,196	
2. Dividend	-		5,388	
3. Other reserve	(1,216,736)		109,911	
4. Reserve for Bad Loans	(270,552)		-	
IV. UNAPPROPRIATED RETAINED EARNINGS(deficit) AT THE END OF THE PERIOD		₩ -		₩ -

24. RESERVE FOR BAD LOANS:

Reserve for bad loans is calculated and disclosed according to Article 29 (1) and (2), Regulation on Supervision of Banking Business. In accordance with Regulation on Supervision of Banking Business etc., if the estimated allowance for credit loss determined by K-IFRS for the accounting purpose is lower than those for the regulatory purpose required by Regulation on Supervision of Banking Business, the Bank should reserve such difference as the regulatory reserve for bad loans. Due to the fact that regulatory reserve for bad loans is a voluntary reserve, the amounts that exceed the existing reserve for bad loans over the compulsory reserve for bad loans at the period-end date are reversed in profit. In case of accumulated deficit, the Bank should recommence setting aside reserve for bad loans at the time when accumulated deficit is gone.

1) Reserve for bad loans

Details of reserve for bad loans as of December 31, 2016 and 2015 are as follows (Korean won in millions):

	Dec. 31, 2016	Dec. 31, 2015
Accumulated reserve for bad loans	₩ 476,882	₩ 572,420
Expected reserve for (reverse of) bad loans	-	(95,538)
Expected deficit recovery	(270,552)	-
Reserve for bad loans	₩ 206,330	₩ 476,882

2) Required reserve for bad loans and net income after adjusting reserve for bad loans.

Details of required reserve for bad loans and net income after adjusting the reserve for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

	2016	2015
Net income for the period	₩ (1,487,289)	₩ 21,957
Required reserve for (reversal of) bad loans	(552,906)	95,538
Net profit (loss) after adjusting the reserve for bad loans(*)	₩ (2,040,195)	₩ 117,495

(*) Adjusted profit (loss) considering reserves for bad debt as above is calculated by assuming that the provision in reserves for bad debt before income tax is reflected in net income.

25. NET INTEREST INCOME:

Net interest income is the amount after deduction of interest expenses from interest income, and the details are as follows:

(1) Details of interest income for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

	2016	2015
Interest of due from financial institutions:		
Due from financial institutions in local currency	₩ 2,158	₩ 3,375
Due from financial institutions in foreign currencies	8,410	6,150
	10,568	9,525
Interest of financial assets at FVTPL:		
Interest of trading securities	1,855	965
Interest of investments:		
Interest of AFS securities	13,275	10,665
Interest of held-to-maturity securities	2,350	1,675
	15,625	12,340
Interest of loans:		
Interest of loans in local currency	503,531	467,849
Interest of loans in foreign currencies	1,662,002	1,363,893
Interest of bills bought	15,011	10,886
Interest of advances for customers	140	43
Interest of call loans	13,948	10,529
Interest of interbank loans	3,587	2,905
	2,198,219	1,856,105
Interest of others	5,207	8,502
Total	₩ 2,231,474	₩ 1,887,437

(2) Details of interest expenses for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

	2016	2015
Interest of borrowings:		
Borrowings in foreign currencies	₩ 111,543	₩ 78,637
Securities sold under repurchase agreement	-	378
Subtotal	111,543	79,015
Interest of call money	2,894	3,192
Interest of debentures:		
Interest of debentures in local currency	185,960	198,946
Interest of debentures in foreign currencies	1,098,592	911,918
Subtotal	1,284,552	1,110,864
Interest of others	17,830	7,948
Total	₩ 1,416,819	₩ 1,201,019

26. NET COMMISION INCOME:

Net commission income is the amount after deduction of commission expenses from commission income, and the details are as follows.

(1) Details of commission income for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

	2016	2015
Commission income in local currency:		
Commissions income on management of Economic Development Cooperation Fund ("EDCF")	₩ 14,645	₩ 12,915
Commissions income on management of Inter-Korean Cooperation Fund ("IKCF")	2,277	2,814
Other commission income in local currency	4	8
	16,926	15,737
Commission income in foreign currency:		
Commissions income on letter of credit	1,788	3,410
Commissions income on confirmation on export letter of credit	184	479
Commissions income on loans commitment	40,826	70,364
Management fee	-	3,537
Arrangement fee	7,294	7,378
Advisory fee	803	5,296
Cancellation fee	-	3,066
Prepayment fee	13,854	10,881
Brokerage fee for foreign currency exchange funds	1,404	1,500
Sundry commissions income on foreign exchange	464	372
Structuring fee	3,643	-
Other commission income in foreign currency	1,624	326
	71,884	106,609
Others:		
Other commission income	8,230	5,971
Guarantee fees on foreign currency:		
Guarantee fees on foreign currency	288,046	198,170
Premium for guarantee	71,622	50,614
	359,668	248,784
Total	₩ 456,708	₩ 377,101

(2) Details of commission expenses for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

	2016	2015
Commission expenses in local currency:		
Commissions expenses on domestic transaction	₩ 443	₩ 351
	443	351
Commission expenses in foreign currency:		
Service fees paid to credit-rating agency	3,155	5,395
Sundry commission expenses on foreign exchange	795	931
Sundry commissions expenses on offshore transaction	11	13
	3,961	6,339
Others:		
Other commissions expenses	4,044	998
Total	₩ 8,448	₩ 7,688

27. DIVIDEND INCOME:

Details of dividend income for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

	2016	2015
AFS securities	₩ 23,060	₩ 15,789
Investment in associates (*)	7,999	8,057
Total	₩ 31,059	₩ 23,846

(*) classified as income from investments in associates

28. GAIN (LOSS) ON FINANCIAL ASSETS AT FVTPL:

Details of gain (loss) on financial assets at FVTPL for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

	2016	2015
Trading securities:		
Gain on valuation	₩ 12,574	₩ 10,010
Loss on valuation	(2,670)	(465)
Gain on disposal	12,804	13,300
Loss on disposal	(2,540)	(111)
	20,168	22,734
Trading derivatives		
Gain on valuation	493,518	359,990
Loss on valuation	(518,897)	(553,395)
Gain on transaction	878,785	373,100
Loss on transaction	(679,161)	(518,542)
	174,245	(338,847)
Total	₩ 194,413	₩ (316,113)

29. GAIN (LOSS) ON HEDGING DERIVATIVES:

Details of gain (loss) on hedging derivatives for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

	2016		2015	
Gain on hedging derivatives	₩	308,363	₩	147,142
Loss on hedging derivatives		(964,924)		(1,531,828)
Total	₩	(656,561)	₩	(1,384,686)

30. GAIN (LOSS) ON FINANCIAL INVESTMENTS:

(1) Details of gain (loss) on financial investments for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

	2016		2015	
AFS securities:				
Gain on disposal	₩	7,561	₩	8,181
Loss on disposal		(80)		(353)
Impairment loss		(8,646)		(64,272)
Total	₩	(1,165)	₩	(56,444)

(2) There is no gain or loss on held-to-maturity securities for the years ended December 31, 2016 and 2015, respectively. In addition, details of interest income of held-to-maturity securities are stated in Note 25.

31. OTHER OPERATING INCOME (EXPENSES):

Details of other operating income (expenses for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

	2016		2015	
Other operating income:				
Gain on disposal of loans	₩	-	₩	2,367
Gain on fair value hedged items		541,626		210,926
Others		1,888		19,670
		543,514		232,963
Other operating expenses:				
Loss on fair value hedged items		93,988		168,488
Contribution to Credit Guarantee Fund and Technology Credit Guarantee Fund		5,424		5,163
Loss on redemption		45		41
Transfer of other provisions		16,316		-
Others		37,373		43,466
		153,146		217,158
Total	₩	390,368	₩	15,805

32. (REVERSAL OF) IMPAIRMENT LOSS ON CREDIT:

Details of impairment loss (reversal) on credit for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

	2016	2015
Loans	₩ 1,928,597	₩ 835,597
Other financial assets	7,816	(349)
Guarantees	1,165,199	122,464
Unused loan commitments	77,170	(24,544)
Financial guarantee contract	54,898	131,655
Total	₩ 3,233,680	₩ 1,064,823

33. GENERAL AND ADMINISTRATIVE EXPENSES:

Details of general and administrative expenses for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

	Detail	2016	2015
General and administrative Expenses in financing department	Short-term salaries	₩ 105,026	₩ 91,138
	Office expenses	56,144	57,594
	Subtotal	161,170	148,732
Office expenses of EDCF		1,636	1,755
General and administrative - Others	Post-employment benefit (defined contributions)	562	423
	Post-employment benefit (defined benefits)	12,390	13,206
	Depreciation of tangible assets	7,655	7,278
	Amortization of intangible assets	5,053	3,916
	Taxes and duties	14,673	26,486
	Subtotal	41,969	53,064
	Total	₩ 203,139	₩ 201,796

34. NON-OPERATING INCOME (EXPENSES):

Details of non-operating income (expenses) for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

	Detail	2016	2015
Gain (loss) on investments in associates and subsidiaries	Dividend income	₩ 7,999	₩ 8,057
	Impairment loss	(4,415)	-
		3,584	8,057
Others income	Gain on disposal of land	373	297
	Gain on disposal of building	346	82
	Gain on disposal of tangible assets	63	39
	Rent income	159	160
	Interest on other loans	85	120
	Income on research project	2,110	3,940
	Indemnity received for breach of contact A/C	1	1
	Other miscellaneous Income	11,982	486
	Subtotal	15,119	5,125
Others expenses	Loss on disposal of building	-	10
	Loss on disposal of tangible assets	14	4
	Loss on disposal of intangible assets	538	-
	Expenses for contribution	3,235	4,298
	Court cost	3,002	356
	Expenses on research project	4,944	5,363
	Other miscellaneous expenses	7,350	116
	Loss on disposal of other assets	-	7
	Subtotal	19,083	10,154
Total		₩ (3,964)	₩ (5,029)

35. INCOME TAX EXPENSE (BENEFIT):

(1) Details of income tax expenses (benefits) for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

	2016	2015
Current income tax payable	₩ -	₩ -
Adjustment recognized in the period for current tax of prior periods	(4,203)	15,710
Changes in deferred income taxes due to temporary differences	(415,599)	684
Changes in deferred income taxes directly recognized in equity	(51,094)	(2,866)
Income tax expense (benefits)	₩ (470,896)	₩ 13,528

(2) Changes in temporary differences and deferred income tax assets (liabilities) for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

(2016)

Detail	Temporary differences			Deferred tax assets (liabilities) - ending balance
	Beginning balance	Increase (decrease)	Ending balance	
Depreciation	₩ -	₩ 82	₩ 82	₩ 20
Fair value hedging income(loss)	307,106	(430,323)	(123,217)	(29,818)
Financial guarantee contract liability	660,653	144,902	805,555	194,944
Loans	-	(196,157)	(196,157)	(47,470)
Allowance account	662,184	(453,779)	208,405	50,434
Unused commitment provisions	151,618	77,221	228,839	55,379
Net deferred origination fees and costs	446,118	(19,183)	426,935	103,318
Long-term income in advance	(16,534)	10,318	(6,216)	(1,504)
Provisions for acceptances and guarantees	241,719	1,166,191	1,407,910	340,714
Loan-for-equity swap	1,203,226	520,347	1,723,573	417,105
Loss on valuation of derivatives	(3,081,608)	794,679	(2,286,929)	(553,437)
Gain on valuation of derivatives	2,803,407	(428,334)	2,375,073	574,768
Defined benefit liability	43,282	(44,343)	(1,061)	(257)
Accrued interest and interest receivables related to swap transaction	(294,246)	546	(293,700)	(71,075)
Tangible asset	(178,007)	1,419	(176,588)	(42,734)
Others	213,179	2,752	215,931	52,254
Loss carried forward	69,646	782,146	851,792	206,134
Subtotal	3,231,743	1,928,484	5,160,227	1,248,775
Deferred income tax assets (liabilities) directly adjusted in equity				(89,399)
				₩ 1,159,376

(2015)

Detail	Temporary differences: Beginning balance	Increase (decrease)	Ending balance	Deferred tax assets (liabilities) - ending balance
Fair value hedging income(loss)	₩ 343,340	₩ (36,234)	₩ 307,106	₩ 74,320
Financial guarantee contract liability	348,365	312,288	660,653	159,878
Allowance account	662,618	(434)	662,184	160,249
Unused commitment provisions	175,994	(24,376)	151,618	36,692
Net deferred origination fees and costs	463,764	(17,646)	446,118	107,961
Long-term income in advance	(18,858)	2,324	(16,534)	(4,001)
Provisions for acceptances and guarantees	119,183	122,536	241,719	58,496
Loan-for-equity swap	1,168,985	34,241	1,203,226	291,181
Loss on valuation of derivatives	(1,870,622)	(1,210,986)	(3,081,608)	(745,749)
Gain on valuation of derivatives	2,127,320	676,087	2,803,407	678,425
Defined benefit liability	40,326	2,956	43,282	10,474
Accrued interest and interest receivables related to swap transaction	(257,111)	(37,135)	(294,246)	(71,208)
Tangible asset	(179,266)	1,259	(178,007)	(43,078)
Others	98,686	114,493	213,179	51,588
Loss carried forward	-	69,646	69,646	16,854
Subtotal	₩3,222,724	₩ 9,019	₩ 3,231,743	782,082
Deferred income tax assets (liabilities) directly adjusted in equity				(38,305)
				₩ 743,777

(3) Details of the reconciliation between net income (loss) before income tax and income tax expenses (benefits) for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

	2016	2015
Income (loss) before income tax	₩ (1,958,185)	₩ 35,485
Income tax calculated at statutory tax rate (Corporate tax rate: 11% up to ₩200 million, 22% over ₩200 million to ₩20 billion and 24.2% over ₩20 billion)	(473,418)	8,125
Adjustments:		
Effect on non-taxable income	(342)	(12,460)
Effect on non-deductible expense	6,198	2,346
Tax credit	-	-
Unrecognized temporary differences	1,068	-
Others	318	938
	7,242	(9,176)
Adjustment recognized in the period for current tax of prior periods	(4,720)	14,579
Income tax expense	₩ (470,896)	₩ 13,528
Effective tax rate (*)	-	38.12%

(*)The Bank had net loss before income tax during the year ended December 31, 2016, hence the Bank did not calculate the average effective tax rate from operation.

(4) Details of deferred tax relating to items that are recognized directly in equity as of December 31, 2016 and 2015 are as follows (Korean won in millions):

Detail	Dec. 31, 2016		Dec. 31, 2015	
Gain (loss) on valuation of AFS securities	₩	(82,869)	₩	(37,152)
Gain (loss) on valuation of cash flow hedge		(272)		42
Remeasurement of net defined benefit liability		(6,257)		(1,195)
Total	₩	(89,398)	₩	(38,305)

(5) Unrecognized deferred tax assets and liabilities

The Bank does not recognize deferred tax liabilities for taxable temporary difference of ₩49,054 million related to investments in associates and subsidiaries as of December 31, 2016 because the Bank is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The Bank also does not recognize deferred tax assets for deductible temporary differences of ₩4,469 million related to impairment loss of AFS securities as of December 31, 2016 because the realizable period has already passed.

36. STATEMENTS OF CASH FLOWS:

(1) Cash and cash equivalents as of December 31, 2016 and 2015 are equal to the due from financial institutions in the statements of cash flows.

(2) Details of non-cash flow transactions for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

	2016		2015	
Loan-for-equity swap	₩	35,009	₩	27,981
Investment in kind		500,000		1,000,000
Gain (loss) on valuation of AFS securities		188,912		121
Remeasurement of net defined benefit liability		21,740		9,175

37. CONTINGENT LIABILITIES AND COMMITMENTS:

(1) Details of contingent liabilities and commitments as of December 31, 2016 and 2015 are as follows (Korean won in millions):

Detail		Dec. 31, 2016		Dec. 31, 2015	
Guarantees	Confirmed	₩	53,615,073	₩	57,095,894
	Unconfirmed		6,063,975		11,617,760
	Subtotal	₩	59,679,048	₩	68,713,654
Loan commitments	Local currency, foreign currency loan commitments	₩	18,571,869	₩	25,341,263
	Others		1,758,176		1,289,986
	Subtotal		20,330,045		26,631,249
	Total	₩	80,009,093	₩	95,344,903

(2) Details of guarantees that have been provided for others as of December 31, 2016 and 2015 are as follows (Korean won in millions):

	Detail	Dec. 31, 2016	Dec. 31, 2015
Confirmed guarantees	Local currency:		
	Performance of contracts	₩ 71,301	₩ 112,848
	Repayment of advances	43,536	58,424
	Others	384,223	252,196
	Subtotal	499,060	423,468
	Foreign currency:		
	Performance of contracts	13,989,701	14,934,605
	Repayment of advances	20,239,595	22,584,838
	Acceptances of imported goods	1,245	12,374
	Acceptance of import letter of credit outstanding	172,857	197,391
	Foreign liabilities	11,547,142	10,201,511
	Others	7,165,473	8,741,707
	Subtotal	53,116,013	56,672,426
Unconfirmed guarantees	Foreign liabilities	1,337,732	2,470,968
	Repayment of advances	4,549,899	8,898,001
	Performance of contracts	159,687	248,764
	Underwriting of import credit	16,617	-
	Others	40	27
	Subtotal	6,063,975	11,617,760
	Total	₩ 59,679,048	₩ 68,713,654

(3) Details of guarantees classified by country are as follows (Korean won in millions):

(Dec. 31, 2016)

Detail		Confirmed guarantees Amount	Confirmed guarantees Ratio (%)	Unconfirmed guarantees Amount	Unconfirmed guarantees Ratio (%)	Total Amount	Total Ratio (%)
Asia	Korea	₩ 39,410,253	73.51	₩ 4,706,038	77.61	₩ 44,116,291	73.92
	Saudi Arabia	2,279,926	4.25	-	-	2,279,926	3.82
	India	550,354	1.03	49,334	0.81	599,688	1.00
	Indonesia	1,145,558	2.14	15,579	0.26	1,161,137	1.95
	Vietnam	1,042,485	1.94	442,065	7.29	1,484,550	2.49
	Australia	839,002	1.56	57,149	0.94	896,151	1.50
	Philippines	347,199	0.65	3,588	0.06	350,787	0.59
	Qatar	351,311	0.66	-	-	351,311	0.59
	Singapore	18,629	0.03	-	-	18,629	0.03
	Oman	306,690	0.57	157,827	2.60	464,517	0.78
	Others	566,106	1.06	144,818	2.39	710,924	1.19
		46,857,513	87.40	5,576,398	91.96	52,433,911	87.86
Europe	United Kingdom	409,953	0.76	-	-	409,953	0.69
	France	484,456	0.90	103,897	1.71	588,353	0.99
	Uzbekistan	397,164	0.74	50,318	0.83	447,482	0.75
	Others	196,489	0.37	71,302	1.18	267,791	0.45
		1,488,062	2.77	225,517	3.72	1,713,579	2.88
America	U.S.A.	2,659,726	4.96	191,982	3.17	2,851,708	4.78
	Brazil	566,466	1.06	532	0.01	566,998	0.95
	Mexico	315,010	0.59	2,191	0.04	317,201	0.53
	Bermuda	235,275	0.44	-	-	235,275	0.39
	Others	347,805	0.65	45,998	0.76	393,803	0.66
		4,124,282	7.70	240,703	3.98	4,364,985	7.31
Africa	Madagascar	179,677	0.33	-	-	179,677	0.30
	Marshall Islands	657,903	1.23	-	-	657,903	1.10
	Others	307,636	0.57	21,357	0.34	328,993	0.55
		1,145,216	2.13	21,357	0.34	1,166,573	1.95
		₩ 53,615,073	100.00	₩ 6,063,975	100.00	₩ 59,679,048	100.00

(Dec. 31, 2015)

Detail		Confirmed guarantees Amount	Confirmed guarantees Ratio (%)	Unconfirmed guarantees Amount	Unconfirmed guarantees Ratio (%)	Total Amount	Total Ratio (%)
Asia	Korea	₩ 43,492,499	76.17	₩ 9,126,674	78.56	₩ 52,619,173	76.58
	Saudi Arabia	1,662,977	2.91	88,738	0.76	1,751,715	2.55
	India	269,754	0.47	362,530	3.12	632,284	0.92
	Indonesia	1,139,405	2.00	45,222	0.39	1,184,627	1.72
	Vietnam	785,348	1.38	675,725	5.82	1,461,073	2.13
	Australia	750,719	1.31	118,366	1.02	869,085	1.26
	Philippines	447,385	0.78	20,118	0.17	467,503	0.68
	Qatar	351,600	0.62	-	-	351,600	0.51
	Singapore	324,148	0.57	-	-	324,148	0.47
	Oman	243,356	0.43	90,832	0.78	334,188	0.49
	Others	433,183	0.76	247,977	2.13	681,160	0.99
		49,900,374	87.40	10,776,182	92.75	60,676,556	88.30
Europe	United	486,294	0.85	1,720	0.01	488,014	0.71

Detail		Confirmed guarantees Amount	Ratio (%)	Unconfirmed guarantees Amount	Ratio (%)	Total Amount	Ratio (%)
	Kingdom						
	France	516,352	0.90	155	-	516,507	0.75
	Netherlands	11,720	0.02	-	-	11,720	0.02
	Uzbekistan	279,178	0.49	72,422	0.62	351,600	0.51
	Others	145,835	0.26	108,646	0.94	254,481	0.37
		1,439,379	2.52	182,943	1.57	1,622,322	2.36
America	U.S.A.	3,451,403	6.04	387,892	3.34	3,839,295	5.59
	Brazil	489,408	0.86	47,519	0.41	536,927	0.78
	Mexico	316,694	0.55	2,404	0.02	319,098	0.46
	Bermuda	131,850	0.23	-	-	131,850	0.19
	Others	297,915	0.52	105,401	0.91	403,316	0.59
		4,687,270	8.20	543,216	4.68	5,230,486	7.61
Africa	Madagascar	174,250	0.31	-	-	174,250	0.25
	Marshall Islands	629,281	1.10	48,008	0.41	677,289	0.99
	Others	265,340	0.47	67,411	0.59	332,751	0.49
		1,068,871	1.88	115,419	1.00	1,184,290	1.73
		₩ 57,095,894	100.00	₩ 11,617,760	100.00	₩ 68,713,654	100.00

(4) Details of guarantees classified by industry as of December 31, 2016 and 2015 are as follows (Korean won in millions):

(Dec. 31, 2016)

Detail	Confirmed guarantees Amount	Ratio (%)	Unconfirmed guarantees Amount	Ratio (%)	Total Amount	Ratio (%)
Manufacturing	₩ 26,653,851	49.71	₩ 4,992,780	82.34	₩ 31,646,631	53.03
Transportation	2,176,509	4.06	159,308	2.63	2,335,817	3.91
Finance	2,166,443	4.04	16,777	0.28	2,183,220	3.66
Wholesale and retail	1,593,684	2.97	61,393	1.01	1,655,077	2.77
Property related business	540,841	1.01	-	-	540,841	0.91
Construction	12,489,998	23.30	107,003	1.76	12,597,001	21.11
Public and others	7,993,747	14.91	726,714	11.98	8,720,461	14.61
Total	₩ 53,615,073	100.00	₩ 6,063,975	100.00	₩ 59,679,048	100.00

(Dec. 31, 2015)

Detail	Confirmed guarantees Amount	Ratio (%)	Unconfirmed guarantees Amount	Ratio (%)	Total Amount	Ratio (%)
Manufacturing	₩27,439,560	48.06	₩ 9,785,094	84.23	₩ 37,224,654	54.17
Transportation	1,896,664	3.32	101,901	0.88	1,998,565	2.91
Finance	2,364,282	4.14	1,875	0.02	2,366,157	3.44
Wholesale and retail	2,222,793	3.89	36,361	0.31	2,259,154	3.29
Property related business	550,444	0.96	-	-	550,444	0.80
Construction	15,229,561	26.67	263,458	2.27	15,493,019	22.55
Public and others	7,392,590	12.96	1,429,071	12.29	8,821,661	12.84
Total	₩ 57,095,894	100.00	₩ 11,617,760	100.00	₩68,713,654	100.00

(5) Global Medium-Term Note Program (“GMTN”) and Commercial Paper (“CP”) programs
The Bank has been establishing the following programs regarding the issue of foreign currency bonds and CPs:

1) Established on August 1, 1991, initially, and annually renewed, U.S. Shelf Registration to issue foreign bonds under the Securities and Exchange Commission rule of the United States of America with an issuance limit of USD 42.5 billion;
2) Established on May 14, 1997 and May 16, 1997, initially, and annually renewed, CP program to issue CPs with issuance limits of USD 6 billion and USD 2 billion, respectively;
3) Established on November 6, 1997, initially, and annually renewed, Euro Medium-Term Note Program to issue mid-to-long-term foreign currency bonds with an issuance limit of USD 25 billion;
4) Established on March 12, 2008 and February 2, 2012, initially, and renewed every two years, MYR MTN program to issue Malaysian Ringgit-denoted bonds with issuance limits of MYR 3 billion and 1 billion respectively.
5) Established on June 20, 2008, initially, and renewed every two years, Yen Shelf Registration to issue Samurai bond with an issuance limit of JPY 500 billion;
6) Established on May 31, 2010, Australian Domestic Debt Issuance Program to issue Kangaroo bond with limit of AUD 4 billion;
7) Established on January 17, 2011, and renewed every two years, Uridashi Shelf Registration to issue Uridashi bond with an issuance limit of JPY 500 billion.

(6) Litigations

As of December 31, 2016, six lawsuits (aggregated claim amount: ₩108,412 million) were filed as a plaintiff and nine pending litigations as a defendant were filed (aggregated claim amount: ₩147,714 million). The Bank’s management expects that there is no significant impact on the financial statements due to these lawsuits but it is possible to make additional loss to the Bank due to the results of future litigation.

(7) Written-off loans

The Bank manages written-off loans that have claims on debtors due to the limitation of statute, uncollected after write-off, etc. The written-off loans as of December 31, 2016 and 2015 are ₩1,300,714 million and ₩804,927 million, respectively.

(8) Ordinary wages

The Supreme Court had handed down decisions in ordinary wages during the previous year. The Bank reviewed the effect of the Supreme Court ruling on the Bank’s financial statements. The Bank determined not to recognize provisions, because the Bank anticipates that the outflow of resources is unlikely to be realized. Effects to the financial statements of the Bank with regard to the decisions of the Supreme Court for the lawsuit are not disclosed in the notes to the financial statements in accordance with the paragraph 92 of K-IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets

38. TRANSACTIONS AND BALANCES WITH RELATED PARTIES:

Related parties consist of entities related to the Bank, post-employment benefits, a key management personnel and a close member of that person's family, an entity controlled or jointly controlled and an entity influenced significantly.

(1) Details of related parties as of December 31, 2016 are as follows:

Detail	Relationship	Percentage (%)
Parent:		
Korean government	Parent	72.89
Subsidiaries and Associates:		
KEXIM Bank UK Limited	Subsidiary	100.00
PT.KOEXIM Mandiri Finance	Subsidiary	85.00
KEXIM Vietnam Leasing Co.	Subsidiary	100.00
KEXIM Asia Limited	Subsidiary	100.00
Korea Asset Management Corporation	Associate	25.86
Credit Guarantee and Investment Fund	Associate	14.29
Korea Marine Guarantee Inc.	Associate	52.63
SUNGDONG Shipbuilding & Marine Engineering Co., Ltd.	Associate	70.71
DAESUN Shipbuilding & Engineering Co., Ltd.	Associate	67.27
EQP Global Energy Infrastructure Private Equity Fund	Associate	22.64
KTB Newlake Global Healthcare PEF	Associate	25.00
KBS-KDB Private Equity Fund	Associate	20.83

(2) Significant balances of receivables, payables and guarantees with the related parties

1) Significant balances of receivables and payables with the related parties as of December 31, 2016 and 2015 are as follows (Korean won in millions):

(Dec. 31, 2016)

Detail	Receivables	Allowance	Payables
Subsidiaries:			
KEXIM Bank UK Limited,	₩ 146,398	₩ -	₩ 12
PT.KOEXIM Mandiri Finance	139,349	231	-
KEXIM Vietnam Leasing Co	144,758	217	-
KEXIM Asia Limited	139,390	-	55
Subtotal	569,895	448	67
Associate:			
SUNGDONG Shipbuilding & Marine Engineering Co., LTD.	2,067,494	752,585	-
DAESUN Shipbuilding & Engineering Co., Ltd.	387,691	239,280	25,266
Subtotal	2,455,185	991,865	25,266
Total	₩ 3,025,080	₩ 992,313	₩ 25,333

(Dec. 31, 2015)

Detail	Receivables	Allowance	Payables
Subsidiaries:			
KEXIM Bank UK Limited,	₩ 152,955	₩ -	₩ 96
PT.KOEXIM Mandiri Finance	137,226	227	-
KEXIM Vietnam Leasing Co	144,511	216	-
KEXIM Asia Limited	137,505	-	24
Associate:			
SUNGDONG Shipbuilding & Marine Engineering Co., LTD.	1,355,111	332,542	-
DAESUN Shipbuilding & Engineering Co., Ltd.	383,889	238,202	-
Total	₩ 2,311,197	₩ 571,187	₩ 120

2) Guarantees provided to the related parties as of December 31, 2016 and 2015 are as follows (Korean won in millions):

(Dec. 31, 2016)

Detail	Confirmed guarantees	Unconfirmed guarantees	Loans commitments	Other commitments
Subsidiaries:				
KEXIM Bank UK Limited,	₩ 24,170	₩ -	₩ 238,075	₩ 16,919
PT.KOEXIM Mandiri Finance	-	-	42,298	-
KEXIM Vietnam Leasing Co.	-	-	12,085	-
KEXIM Asia Limited	-	-	77,765	42,902
Associate:				
SUNGDONG Shipbuilding & Marine Engineering Co., Ltd.	714,437	144,446	44,000	-
DAESUN Shipbuilding & Engineering Co., Ltd.	88,731	54,477	13,671	-
Total	₩ 827,338	₩ 198,923	₩ 427,894	₩ 59,821

(Dec. 31, 2015)

Detail	Confirmed guarantees	Unconfirmed guarantees	Loans commitments	Other commitments
Subsidiaries:				
KEXIM Bank UK Limited,	₩ 105,480	₩ -	₩ 216,820	₩ 21,096
PT.KOEXIM Mandiri Finance	-	-	41,020	-
KEXIM Vietnam Leasing Co.	-	-	11,720	-
KEXIM Asia Limited	-	-	49,224	53,326
Associate:				
SUNGDONG Shipbuilding & Marine Engineering Co., Ltd.	993,078	413,211	223,000	-
DAESUN Shipbuilding & Engineering Co., Ltd.	132,137	117,319	30,372	-
Total	₩ 1,230,695	₩ 530,530	₩ 572,156	₩ 74,422

(3) Profit and loss on transactions with related parties

Profit and loss on transactions with related parties for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

		2016			2015		
Detail	Related party	Revenue	Bad debt expenses	Expenses	Revenue	Bad debt expenses	Expenses
Subsidiaries:							
	KEXIM Bank UK Limited	₩ 2,394	₩ -	₩ 363	₩ 2,863	₩ -	₩ 299
	PT.KOEXIM Mandiri Finance	1,603	4	-	969	(5)	-
	KEXIM Vietnam Leasing Co.	1,832	1	-	1,112	3	-
	KEXIM Asia Limited	2,152	-	448	1,704	-	169
Associate:							
	SUNGDONG Shipbuilding & Marine Engineering Co., Ltd.	210,703	440,713	2,743	25,770	108,069	38
	DAESUN Shipbuilding & Engineering Co., Ltd	7,042	9,089	8	6,663	36,100	-
	Total	₩225,726	₩ 449,807	₩ 3,562	₩ 39,081	₩144,167	₩ 506

(4) Money dealing with related parties

Money dealing with related parties for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

		2016		2015	
		Financing transaction		Financing transaction	
Detail	Related party	Loan	Collection	Loan	Collection
Subsidiaries:					
	KEXIM Bank UK Limited	₩ 304,543	₩ 316,538	₩ 353,807	₩ 375,272
	PT.KOEXIM Mandiri Finance	268,612	270,885	373,955	385,320
	KEXIM Vietnam Leasing Co.	355,063	359,067	-	-
	KEXIM Asia Limited	314,651	314,859	217,114	215,599
Associate:					
	SUNGDONG Shipbuilding & Marine Engineering Co., Ltd.	884,377	10,000	797,000	310,000
	DAESUN Shipbuilding & Engineering Co., Ltd.	16,701	12,810	20,819	-
	Total	₩ 2,143,947	₩ 1,284,159	₩ 1,762,695	₩ 1,286,191

(5) Details of compensation to key management for the years ended December 31, 2016 and 2015 are as follows (Korean won in millions):

Detail	2016		2015	
Salaries	₩	2,473	₩	2,475
Severance and retirement benefits		153		115
Total	₩	2,626	₩	2,590

39. APPROVAL OF FINANCIAL STATEMENTS:

The financial statements of the Bank were approved by board of directors on March 28, 2017, and were finally approved by the Operations Committee on March 29, 2017.

REGISTERED OFFICE OF THE ISSUER

The Export-Import Bank of Korea
38 Eunhaeng-ro
Yeongdeungpo-gu
Seoul 07242
Korea

FISCAL AGENT, PRINCIPAL PAYING AGENT AND TRANSFER AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

REGISTRAR, PAYING AGENT AND TRANSFER AGENT

Deutsche Bank Trust Company Americas
c/o Deutsche Bank National Trust Company
100 Plaza One, 6th Floor, MS 0699
Jersey City, NJ 07311-3901
United States of America

PAYING AGENT AND TRANSFER AGENT

Deutsche Bank Luxembourg S.A.
2 Boulevard Konrad Adenauer
L-1115 Luxembourg

ARRANGER

UBS AG Hong Kong Branch
52/F Two International Finance Centre
8 Finance Street
Central
Hong Kong

DEALERS

Banco Bilbao Vizcaya Argentaria, S.A.
Unit 9507, 95/F, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

BNP Paribas
10 Harewood Avenue
London NW1 6AA
United Kingdom

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Crédit Agricole Corporate and Investment Bank
30/F Two Pacific Place
88 Queensway
Hong Kong

Credit Suisse Securities (Europe) Limited
One Cabot Square
London E14 4QJ
United Kingdom

Daiwa Capital Markets Europe Limited
5 King William Street
London EC4N 7AX
United Kingdom

DBS Bank Ltd.
12 Marina Boulevard, Level 42
Marina Bay Financial Centre Tower 3
Singapore 018982

Deutsche Bank AG, Singapore Branch
One Raffles Quay
#17-00 South Tower
Singapore 048583

Goldman Sachs International
Peterborough Court
133 Fleet Street
London EC4A 2BB
United Kingdom

The Hongkong and Shanghai Banking Corporation Limited
Level 17, HSBC Main Building
1 Queen's Road Central
Hong Kong

ING Bank N.V., Singapore Branch
9 Raffles Place #19-02
Republic Plaza
Singapore 048619

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ
United Kingdom

MUFG Securities EMEA plc
Ropemaker Place
25 Ropemaker Street
London EC2Y 9AJ
United Kingdom

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

Nomura International plc
1 Angel Lane
London EC4R 3AB
United Kingdom

Société Générale
29, boulevard Haussmann
75009 Paris
France

Standard Chartered Bank
Marina Bay Financial Centre, Tower 1
8 Marina Boulevard, Level 20
Singapore 018981

UBS AG Hong Kong Branch
52/F Two International Finance Centre
8 Finance Street
Central
Hong Kong

AUDITORS

Deloitte Anjin LLC
9th Floor, One IFC Bldg.
10 Gukjegeumyung-ro
Yeongdeungpo-gu
Seoul 07326
Korea

LEGAL ADVISERS

To the Issuer
in respect of Korean law

Yoon & Yang LLC
19th Floor, ASEM Tower
517, Yeongdong-daero, Gangnam-gu
Seoul 06164
Korea

To the Dealers
in respect of English law

Cleary Gottlieb Steen & Hamilton LLP
c/o 19F, Ferrum Tower
19, Eulji-ro 5-gil, Jung-gu
Seoul 04539
Korea

SINGAPORE LISTING AGENT

Shook Lin & Bok LLP
1 Robinson Road
#18-00 AIA Tower
Singapore 048542