



Annual Report 2005

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Annual Report 2005





To symbolize the continually dedicated spirit of the Bank, the letters “K”, “R”, and “E” from “Korea Eximbank” are used in the new logo, embodying the Bank’s dynamic expansion into the global market. The letter “E” in particular is formed in the shape of an arrow, representing the Bank’s determined drive to clearly and thoroughly address the vast changes of the domestic and international economic environment.

Core Bank for Global Business

Profile

The Export-Import Bank of Korea (Korea Eximbank) is an official export credit agency providing comprehensive export credit and guarantee programs to support Korean enterprises in conducting their business overseas. Since its establishment in 1976, the Bank has actively supported Korea's export-led economy as well as assist in expanding the nation's economic cooperation with foreign countries in value-added methods.

Korea Eximbank's primary services include export loans, trade finance and guarantee programs structured for the needs of various clients in a direct effort to both complement and strengthen the clients' competitiveness in the global markets. The Bank also provides overseas investment credit, import credit and information services related to business opportunities abroad.

Furthermore, the Bank administers two government funds: the Economic Development Cooperation Fund (a Korean Official Development Assistance program) and the Inter-Korean Cooperation Fund (an economic cooperation program with North Korea).

The Bank's expertise in such key areas with its active role as the "Core Bank for Global Business" is reflected by the Bank's high credit rating on par with the sovereign credit rating of the Korean government.

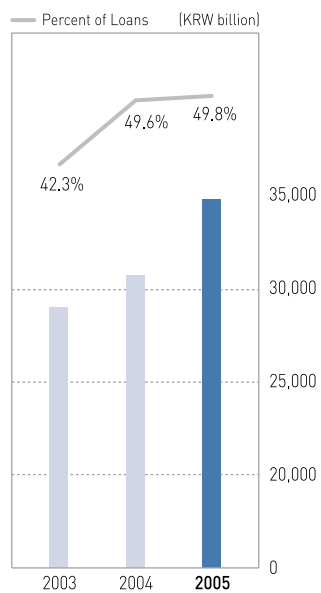


» Korea Eximbank head office

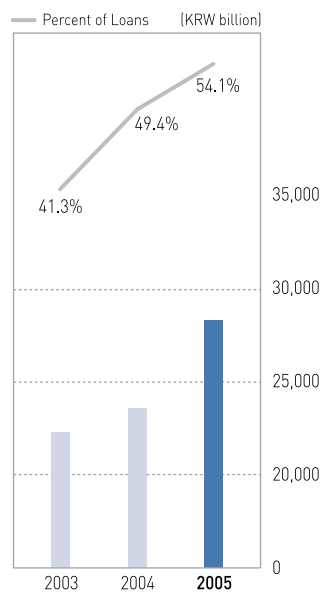
Financial Highlights

	2005		2004
	KRW billion	US\$ million	US\$ million
For the Year			
Commitments			
Loans	17,183	16,962	14,878
Guarantees	17,341	17,118	15,126
Total	34,525	34,081	30,004
Disbursements			
Loans	15,071	14,877	11,056
Guarantees	12,776	12,612	11,311
Total	27,847	27,489	22,366
Net Income	224	221	74
At Year-end			
Loans Outstanding	11,502	11,354	8,711
Guarantees Outstanding	20,116	19,857	17,731
Total Assets	15,156	14,961	11,660
Paid-in Capital	3,296	3,253	2,660
BIS Ratio (%)	13.5		12.6
Converting Rates (KRW/US\$)	1,013.0		1,043.8

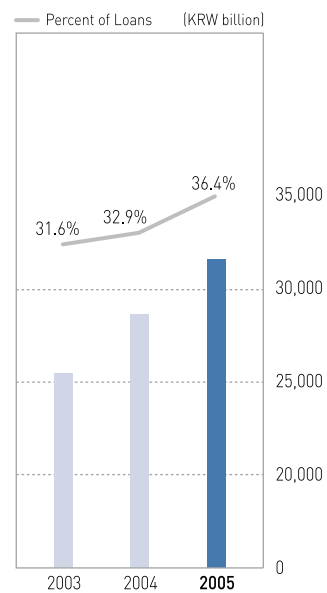
Total Commitments



Total Disbursements



Year-end Outstanding



Message from the Chairman & President



Chairman & President
Dong-Kyu Shin, Ph.D.

신 동규

Firm Supporter of the Korean Economy

In 2005, Korea Eximbank continued to serve as a strong supporter of Korea's external trades. Thanks to the continued growth of the world economy and Korea's competitive advantage in key industries such as automobiles, semiconductors and shipbuilding, exports increased by 12% year-on-year, which led to the 4% growth of the nation's economy.

The Bank's total credits extended in 2005 increased by 19.3% over the previous year to reach KRW27.8 trillion, representing the Bank's highest figure since its establishment in 1976. In particular, about one-fourth of all loans disbursed during the year went to Korean small and medium-sized enterprises (SMEs) that faced difficulties in business due to a slow recovery in domestic demand, rising oil prices and stronger Korean Won.

Innovative Leader in Export Credit

During the year, the Bank strengthened its cooperative ties with major international commercial banks and other export credit agencies (ECAs) through the co-financing of large projects. The Bank signed a US\$440 million loan agreement relating to the export of four super-sized LNG vessels to be hired for the RasGas III project in Qatar. A US\$455 million financing deal for Saudi Arabia's Shuaibah Independent Water and Power Project was named as the 'Deal of the Year 2005' by *Project Finance International* (PFI). Also noteworthy was the co-financing of Korean Air's purchase of two 747-400ERF cargo aircraft from the Boeing Company with the Export-Import Bank of the United States.

In order to meet increasing financing needs, the Bank raised funds in a timely manner in both domestic and international capital markets. A total of US\$2.7 billion was raised in the international capital markets with competitive pricing and diversified funding strategies. In March and November, the Bank issued a total of US\$1.5 billion SEC-registered global bonds, reaffirming the Bank's benchmark role for Korean borrowers. US\$700 million private placement notes were also issued under our MTN program, while the Bank re-entered the domestic capital market by issuing KRW500 billion in debentures during the year.

Prudent Administrator of Government Funds

The Bank also continued to work closely with the Korean government in a concerted effort to efficiently administer two government funds: the Economic Development Cooperation Fund (EDCF) and the Inter-Korean Cooperation Fund (IKCF).

Under the Medium-term EDCF Strategic Management Plan, we launched country programs designed specifically for highest priority countries with a view to providing these countries with EDCF loans annually based on medium-term aid targets. Moreover, bilateral policy dialogues were to be facilitated to identify and meet the diverse development needs of recipient countries. The EDCF's relationship with Multilateral Development Banks (MDBs) was further strengthened through co-financing development projects with MDBs.

The IKCF operations also expanded during the year, with higher levels of financial assistance extended for humanitarian and infrastructure construction projects, such as food and fertilizer aid, railroad construction and the development of the Gaesong Industrial Complex.

Towards 30 Years of Dedication

Various measures were taken in 2005, setting the foundation for another successful year of operation for the Bank as well as for the decades to follow.

The Bank's paid-in capital increased significantly to KRW3.3 trillion through governmental capital injection, which in turn allowed for a greater lending capacity of the Bank. The revision of the Export-Import Bank of Korea Act during the year enabled the Bank's future equity participation in overseas projects. We were also the first domestic bank to introduce export factoring services to effectively support non-L/C based export transactions of Korean firms.

We continued to forge closer business relationships with global business partners during the year by concluding comprehensive cooperation agreements with major MDBs, such as the Inter-American Development Bank, Asian Development Bank and African Development Bank. The Bank's network was further expanded in 2005 by the establishment of our Dubai and Paris representative offices and three new domestic branches.

In addition, we introduced a new corporate identity (CI) in July that symbolizes the dynamic and challenge-driven spirit of Korea Eximbank. Along with the new CI, we announced 'EXIM Way,' the Bank's management philosophy, which embodies the Bank's core values and moral principles required of our staff.

In 2006, we plan to extend KRW28 trillion of trade credit, which surpasses twice the amount reached just five years ago. To achieve this operational target, the Bank will place greater emphasis on financial support for exports of industrial plants, engineering and IT to the Middle East and 'BRICs' countries, while actively providing innovative and specially-structured financial services for the benefit of our clients.

The year 2006 marks the Bank's 30th anniversary. Being proud of what we have already accomplished, we are also well aware that even more challenging tasks may lie ahead in the next 30 years. We at Korea Eximbank will make every effort to successfully carry out such tasks, thereby contributing greatly to the advancement of the Korean economy.

Major Events of 2005

New Corporate Identity Introduced



» 29th Anniversary and New CI Promulgation Ceremony

Commemorating its 29th Anniversary, Korea Eximbank introduced a new corporate identity (CI) at the "29th Anniversary and New CI Promulgation Ceremony." To symbolize the progressive and dynamic spirit of the Bank, the letters "K", "R", and "E" from "Korea Eximbank" are used in the new logo, reflecting the Bank's rapid expansion into the global market. Along with the Bank's newly-instituted CI, EXIM Way, Korea Eximbank's theme spirit encompassing EXIM Spirit and EXIMer, was also announced. EXIM Spirit embodies the Bank's core values, and EXIMer defines the moral principles expected of the Bank's employees.

Export Factoring Services Introduced

Export factoring services were introduced to support non-L/C export transactions. As the first financial institution in Korea to adopt such services, Korea Eximbank plans to offer factoring services for transactions totaling up to US\$500 million, and will gradually expand the services for large enterprises. The Bank's decision to begin export factoring services is expected to further reduce discount charges due to competition from foreign financial institutions offering similar services. This will therefore likely benefit many SME's in the IT field by lowering export transaction costs.

Winning *Marine Money's* "Deal of the Year 2004" Award

Korea EximBank was awarded the "Deal of the Year 2004" from *Marine Money*, becoming a back-to-back winner of the award. For the award-winning project, the Bank supported US\$290 million in structured financing with Citigroup Inc. for DSME's (Daewoo Shipbuilding and Marine Engineering) construction of three LNG ships. According to *Marine Money*, the Bank's simple and prompt loan procedure in addition to its effective structured financing were most noteworthy. Having won two consecutive awards, the Bank is emerging as one of the world's leading ship financing institutions.

Intercreditor Agreement with U.S. Ex-Im Bank

The Intercreditor Agreement with U.S. Ex-Im Bank was signed on September 2005. Under the Agreement, the two banks co-financed Korean Air's purchase of two air cargos from Boeing Company. The co-financing guarantee under the Intercreditor Agreement was the first transaction to be supported under the Framework Agreement, which was concluded between the two banks on October 2004. The guarantee is expected to reinvigorate Korea's import of air cargos. The guarantee will also lead to increased competitiveness of the nation's domestic airlines further developing Korea's positioning as the logistics hub of Northeast Asia.

Conference for Overseas Clients

In an effort to promote the export of Korean plants, Korea Eximbank invited high-ranking officials of client companies in major oil producing nations to the September 2005 "Conference for Overseas Clients." Nine institutions, which primarily consisted of state-run petroleum industry organizations involved in large-scale projects, participated in the conference.

Korea Eximbank hosted the event to heighten the global recognition of Korea's plant industry, and to lay the groundwork for long-term cooperative relationships between conference-participating institutions and Korean companies. The program included presentations focusing on the Bank's roles and functions as well as field trips to well-known Korean enterprises. This was done to provide the participants with an opportunity to witness Korea's plant industry firsthand.

Launch of Dubai Representative Office

Korea Eximbank's overseas network expanded in 2005 through the launch of its Dubai Representative Office. As the Bank's first and foremost office in the Middle East, Korea Eximbank's Dubai Representative Office is expected to help bridge Korea companies with Middle Eastern institutions. Thus, efforts by Korean companies to win development projects in the region will be further supported by Korea Eximbank's up-to-date resources and presence in the Middle East.

Awarded *Global Trade Review's* "Best Deals of 2004"

India's National Thermal Power Corporation (NTPC) Plant Project was chosen as one of the "Best Deals of 2004" by *Global Trade Review's* January 2005 issue. This was the largest financing deal for India's power sector in 2004, which also represented the largest deal financed by Korea Eximbank to India in the form of loan guarantees, provided by co-lenders BNP Paribas and HSBC. Through this project Doosan Heavy Industries and Construction supplied three state-of-the-art 660MW boilers to Sipat, Chattisgarh (the largest and most vital thermal power plant in India), which provides power to three Indian Midwest regional states.

Project Financing with EBRD

Korea Eximbank and the EBRD, with two other institutions, provided US\$37 million in the form of project financing for SK Eurochem to construct the SKY PET plant in Poland. Korea Eximbank thereby became the first domestic financial institution to carry out project financing with the EBRD. The project was successfully completed with active financial support from Korea Eximbank. The Bank plans to enhance its cooperation with the EBRD and actively support Korean companies planning to invest in Eastern Europe.

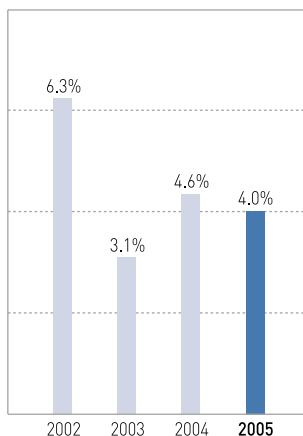


» Project financing for SK Eurochem with EBRD

Economic Situation & Outlook

Overview

Real GDP Growth Rate



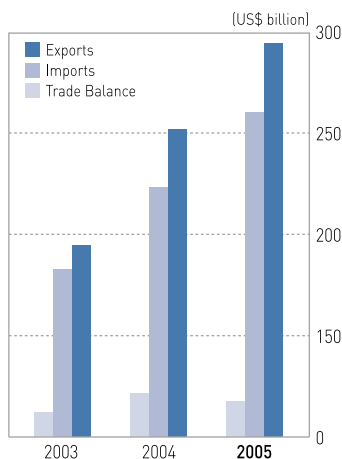
In 2005, the Korean economy recovered faster than anticipated, buoyed by robust export levels and higher private consumption. The nation's gross domestic product (GDP) is estimated to be 4% for the year.

Consumer spending, which had been the main culprit of Korea's recent economic slump, showed a modest recovery with improved consumer sentiment and household debt restructuring. Although it remained stagnant up to the third quarter, facilities investment began to pick up in late 2005.

By item, automobile and automobile parts exports accounted for the largest portion, growing by 16.9% to US\$38.0 billion. The second largest export item was semiconductors with a 13.1% increase to US\$30 billion, followed by wireless telecommunications equipment and general machinery, which rose by 5.2% to US\$27.6 billion and 32.1% to US\$22.2 billion, respectively.

Korea's export market further diversified in 2005 with a surge in sales to markets in Europe, Latin America and Oceania, in addition to the U.S. China remained as Korea's largest export market, recording a 24.4% increase to US\$61.9 billion in 2005.

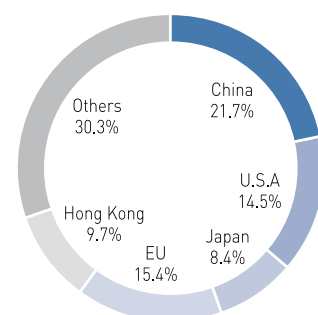
Exports, Imports & Trade Balance



Exports

The nation's annual exports (customs-clearance basis) expanded by 12.0% to a record US\$284.4 billion in 2005. Exports reached double-digit growth for the third consecutive year despite unfavorable factors, including high oil prices, foreign exchange fluctuations, as well as the high 2004 export comparison base level, of which 2005's export levels were higher by 31%.

Korea's Key Export Markets



Imports

Imports (customs-clearance basis) surged to US\$261.2 billion in 2005, a 16.4% increase, assisted by the strong growth of raw material imports (21.9%), capital goods (11.7%), and consumer goods (12.7%).

With its solid export performance, Korea's trade balance recorded a US\$23.2 billion surplus in 2005. Nonetheless, the current account surplus fell by 41% to US\$16.5 billion as the service account deficit widened to US\$13.1 billion due to the increase in South Koreans' spending on overseas trips and studying abroad.

Overseas Direct Investments

Korea's overseas direct investment (acceptance basis) for 2005 amounted to 4,472 in terms of number of cases, reaching US\$9.0 billion, a 13.9% increase in number and 12.2% in value year-on-year. These gains are attributable to such things as the global economic rebound, brisk development of overseas resources, and growth in individual direct investment.

China maintained its position as the largest recipient of Korea's direct investment totaling US\$3.5 billion, although the figure represents a 4.9% decline year-on-year due to lowered investment levels in the manufacturing sector. Investment in the U.S. and the EU also dropped by 1.2% and 9.5%, respectively. However, investment in Latin America climbed by as much as 161.8%, which focused on oil and natural gas development as well as electronic goods production facilities.

Overseas Direct Investments

	2003	2004	2005
Amount (US\$ billion)	5.91	8.06	9.04
Change (%)	-6.8	36.3	12.2

Outlook for 2006

In 2006, the Korean economy is expected to sustain a sound recovery with a pick-up in domestic demand in addition to brisk exports. The 2006 GDP growth rate is projected to be around 5% despite several adverse factors such as high oil prices and a strong domestic currency.

Private consumption is expected to continue its recovery in 2006 as a result of the household debt restructuring in progress and higher household incomes. Facilities investment is likely to grow by a mid-6% range during 2006 with growing domestic demand and strong exports.

Korea's export amount is predicted to reach US\$318 billion in 2006, an 11.7% increase year-on-year with stable global economic growth. Meanwhile, imports are estimated to reach US\$295 billion, up 13% from the previous year, due to higher costs of imported raw materials. Accordingly, the trade surplus in 2006 is expected to reach US\$23.0 billion.

Trends and Outlook of Major Industries

Plant Industry

Overseas plant orders awarded to Korean builders in 2005 expanded remarkably, up 89% year-on-year to reach US\$15.8 billion. The growth was attributable mainly to contracts made by oil-rich Middle Eastern and African countries, which are upgrading their industrial infrastructure.

In 2006, new overseas plant contracts for Korean firms to sign are anticipated to reach approximately US\$16 billion, as large project bids are expected to be offered from oil-producing countries throughout the year.

IT Industry

In 2005, Korea's IT sector exports slowed significantly, posting a mere 5% increase to US\$78.0 billion from the previous year. As the global IT market

has become more competitive, the nation's export revenue dropped with the price reduction of major products, including flash memory chips and wireless telecommunication equipment.

The IT industry is predicted to show solid growth in 2006 as inventories are cleared and reduced prices create greater demand. Korea's IT exports are expected to increase by 13.2% from the previous year to US\$88.3 billion.

Shipbuilding Industry

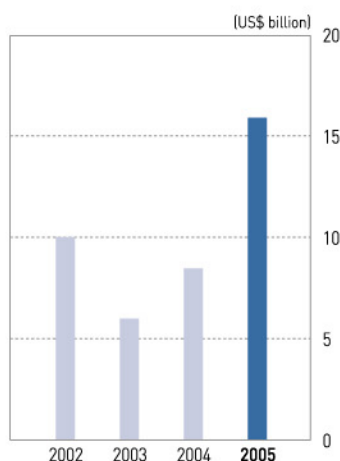
In 2005, Korean shipbuilders retained its position as the world's largest recipient of ship orders. Nevertheless, the drop in vessel orders worldwide, coupled with domestic shipbuilders' strategy to take orders selectively for high-value-added ships, led to a

decrease in new orders given to Korean shipbuilders by 10.9% in CGT (compensated gross tons) terms to 13.9 million CGT and by 9.1% in number to 421 orders year-on-year. The total value of new orders was approximately US\$28.4 billion.

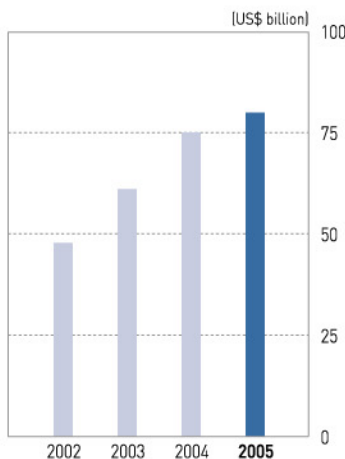
Ship exports grew by 12.7% to US\$17.6 billion, with a surge in the export of value-added vessels such as LNG carriers. In addition, Korea's shipyards built a total of 304 ships in 2005, amounting to 9.7 million CGT.

As global ship orders are projected to be sluggish compared to the previous years and Korean ship companies are likely to maintain their selective order-taking strategy in 2006, the amount of new orders given to Korean shipbuilders are forecasted to slightly decline.

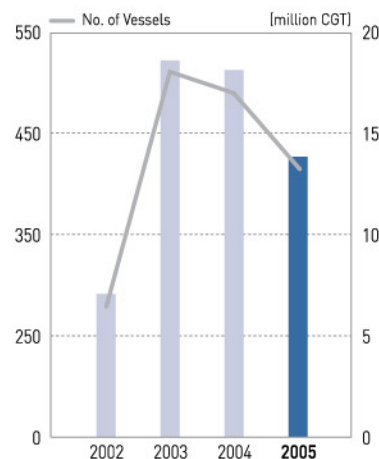
Industrial Plant Contracts



IT Sector Exports



Korean Shipbuilding Contracts





Bank Operations

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Bank Account Activities

Overview

In 2005, the Bank helped foster the nation's economic growth potential by assisting Korean companies compete in the global marketplace. In doing so, the Bank launched a variety of operations, such as initiating new financing programs and reutilizing existing programs.

During the year, the Bank extended a total credit amount of KRW27,847 billion (KRW15,071 billion in loans and KRW12,776 billion in guarantees), equivalent to US\$27,489 million, a 19.3% increase from the previous year. This figure represented the highest figure ever recorded since the Bank's 1976 establishment.



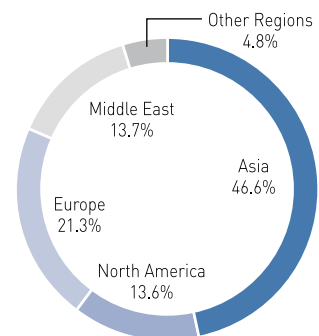
Export Credit, one of the Bank's three major financing programs, accounted for the largest share with KRW12,061 billion, or 80.0% of total loan disbursements. Overseas Investment Credit and Import Credit, the other two major financing programs, accounted for 9.0% and 11.0%, respectively, totaling KRW1,349 billion and KRW1,661 billion.

The 49.4% surge in Overseas Investment Credit disbursements can be largely attributed to the Bank's positive response to the growing needs of Korean corporations implementing their global business strategies. Export Credit disbursements also increased by 29.9%, while Import Credit also experienced a 22.8% increase.

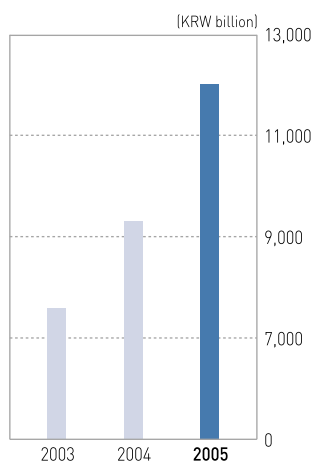
By region, Asia held the largest share with 46.6% of the Bank's total loan disbursements, followed by Europe (21.3%), the Middle East (13.7%), North America (13.6%), and other remaining regions (4.8%).

The Bank's issued guarantees also represented a remarkable achievement in terms of authorization levels, which amounted to KRW17,341 billion, 88.2% of which was in the form of advance payment guarantees.

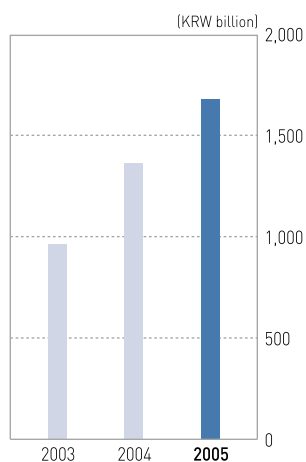
Loan Disbursements by Region



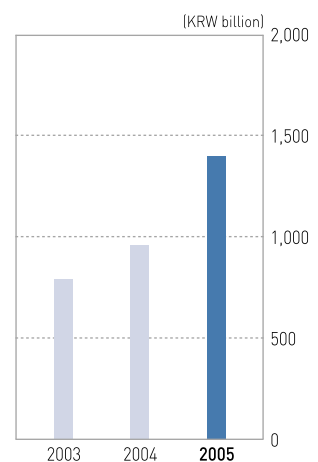
Export Credit



Import Credit



Overseas Investment Credit



Bank Account Activities

Export Credit

Export Credit was the biggest driving force behind the Bank's loan disbursements in 2005. Its share, however, declined slightly to 80.0% of the Bank's total loan disbursement amount due to increased levels of Overseas Investment Credit and Import Credit.

Among items supported under the Export Credit, ships comprised the largest portion with KRW2,097 billion, which represented 17.4% of its total amount, followed by industrial plants with KRW1,099 billion (9.1%), and machinery with KRW531 billion (4.4%).

Mainly due to the significant increase in authorizations for exports of plants and IT products, the Bank's Export Credit commitments in 2005 also grew 8.1% year-on-year from KRW12,676 billion to KRW13,697 billion.

In terms of regional distribution, Asia took the lead with 45.0%, followed by Europe (24.0%), the Middle East (14.4%), North America (13.5%), and other remaining regions (3.1%).

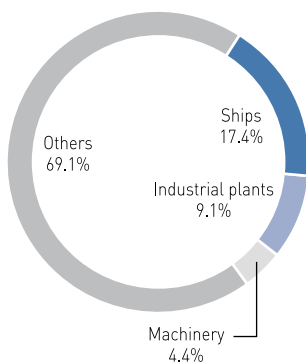
Direct Loans

Direct Loan (or Buyer Credit) is a type of export credit facility that helps foreign buyers purchase Korean goods and services. Under this program, the Bank directly enters into loan agreements with foreign buyers for goods and services imported from Korean exporters.

Exporters prefer Buyer Credit to Supplier Credit not only because they reduce their debt ratios in their financial statements, but also because they are able to realize cash earnings by settling export transactions immediately upon performing their obligations.

In 2005, the Bank's disbursements of Direct Loans reached KRW1,877 billion, a 63.1% increase from the previous year.

Loan Disbursements by Item
(Export Credit)



Project & Structured Financing

Project Finance (P/F) and Structured Finance (S/F) are advanced forms of Direct Loans, which the Bank provides on a limited-recourse basis, to support companies that import industrial plants, equipment or technical services from Korea.

In 2005, the Bank's disbursements of P/F and S/F reached KRW1,549 billion, nearly doubling the previous year's figure. One of the noteworthy projects supported under P/F was the Shuaibah Independent Water and Power Project (IWPP), carried out by Doosan Heavy Industries & Construction Co., LTD. The Shuaibah IWPP effort involved constructing the world's largest desalination plant to distribute 880 thousand tons of fresh water daily. This Project was titled the Deal of the Year by *Project Finance International (PFI)*, a world-renowned publication specializing in Project Finance, for the Bank's successful role in the Project's implementation.

Interbank Export Credit

Interbank Export Credit is a line of credit extended to creditworthy banks in other countries to help designated buyers receive loans from their local banks to finance the purchase of goods and services from Korea.

The amount disbursed under Interbank Export Credit increased 15% to KRW247 billion in 2005 from KRW216 billion in 2004. The total volume of credit lines at the end of 2005 stood at US\$1,187 million for 18 countries. As its major clients, this program covers creditworthy banks in countries, such as Russia, Kazakhstan, Brazil, and Turkey.

In 2005, five credit lines were newly established for banks in five countries including Bancolombia S.A., which conducted business with the Bank for the first time. The amount of such newly-established credit lines totaled US\$110 million.

Forfaiting

Forfaiting is designed to assist exporting companies whose transactions with regard to bills of exchange in the developing countries are not readily accepted by domestic commercial banks due to the high credit risks involved. The Bank negotiates the bills of exchange issued under relevant documentary letters of credit on a non-recourse basis, without the need for additional collateral.

The volume of the program has rapidly increased since its initiation in 2001. The total amount recorded was KRW484 billion in 2005, and is expected to continue its positive growth going forward.

Export Factoring

Export Factoring is a form of trade financing provided by purchasing trade bills from open-account export transactions on credit on a non-recourse basis, including transactions provided on a documents against acceptance (D/A) basis.

The Bank initiated the program in 2005, which represented the first introduction of the service to Korea on a non-recourse basis. The Bank provided a total amount of KRW989 billion under this program in its first year.



» Turkey TUPRAS Igmir Diesel Hydroprocessing Unit process area

Bank Account Activities

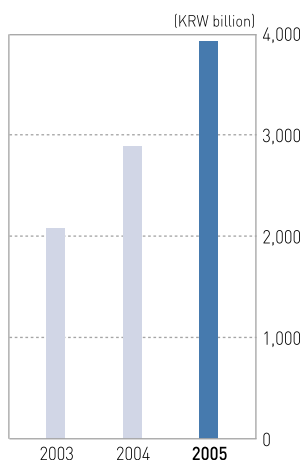
Loans to SMEs

The Bank has steadily increased its credit issuances to small and medium-sized enterprises (SMEs). In 2005, the Bank's total loan commitments and disbursements for SMEs stood at KRW3,842 billion and KRW3,788 billion, an increase of 33.6% and 34.2%, respectively, from the previous year.

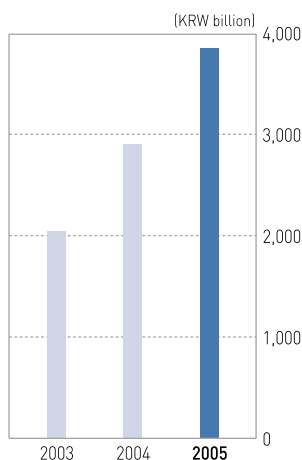
To further enhance its role in supporting SMEs in 2005, the Bank also opened three new local branches. Such local network expansion reinforces the Bank's constant efforts to meet the needs of its local SME customers.

Furthermore, the Bank launched Export-Transaction-based Loan Program for Innovative SMEs, which can be offered solely depending upon the feasibility of export transactions and credibility of importers without the need for additional collateral. The Bank provided a total amount of KRW28 billion under this program in the first year.

Commitments to SMEs



Disbursements to SMEs

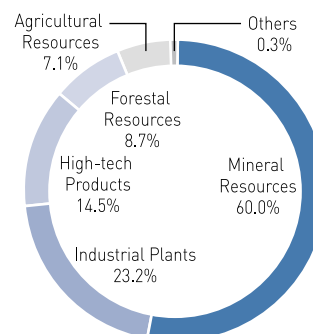


Import Credit

Import Credit provides for the importation of essential materials and major resources, of which stable and timely supply is critical to the national economy. Since its introduction in 1998, the volume of Import Credit has been constantly rising. In the past two years, total disbursements reached KRW1,353 billion and KRW1,661 billion, respectively.

In 2005, mineral resources accounted for 60.0% of total disbursements with KRW997 billion, followed by high-tech products at 14.5% with KRW240 billion, forestal resources at 8.7% with KRW145 billion, and agricultural resources at 7.1% with KRW119 billion. By region on a disbursement level basis, Asia received the greatest share with 53.8%, followed by the Middle East (17.5%), North America (13.2%), Latin America (9.1%), and other remaining regions (6.4%).

Loan Disbursement by Item (Import Credit)



Overseas Investment Credit

In 2005, disbursements and commitment levels of Overseas Investment Credit experienced outstanding performance. Commitments increased by 39.7% to KRW1,938 billion, and similarly, disbursements also increased by 49.4 % to KRW1,349 billion from 2004. Out of such total disbursements, Asia received the largest portion with 51.4%, followed by Europe (18.5%) and North America (14.9%).

One of the most significant Overseas Investment Credits in 2005 was the EUR200 Million Loan to Kia Motors Company for its equity participation in its Slovakian assembly plant subsidiary, Kia Motors Slovakia s.r.o.

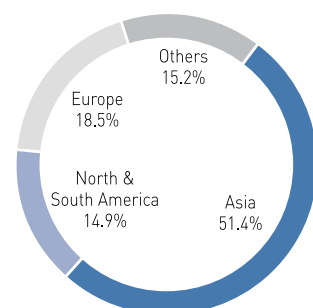
In November 2005, the Bank also extended US\$123 million to SK Corporation and Samwhan Corporation to finance their Yemen Marib LNG Project, which marked the very first project of its kind conducted by Korean companies for the development of overseas natural gas reserves. This effort clearly responded to the urgent need for Korea to secure and import major natural resources such as petroleum and gas, especially in light of the recent rise in oil prices.

Guarantees

In 2005, the Bank's authorizations of advance payment guarantees and performance guarantees were KRW15,296 billion and KRW698 billion, respectively, an increase of 10.5% and 19.9% from the previous year. These two types of guarantees accounted for approximately 98.7% of total project-related guarantee commitments.

In addition, the Bank authorized KRW200 billion in the form of financial guarantees, and KRW942 billion in other trade-related guarantees.

Loan Disbursement by Region
(Overseas Investment Credit)



Bank Account Activities

Sources of Funds

The Bank raised a net total (new borrowings plus loan repayments by the Bank's clients less repayment of the Bank's existing debt) of KRW15,384 billion in 2005, a 27.2% increase from the previous year's KRW12,097 billion. A large part of the fund raised throughout the year was self-generated from repayments of the Bank's outstanding loans.

As a benchmark issuer in the international bond market, the Bank successfully raised US\$1 billion in SEC-registered global bonds in March, achieving the tightest pricing ever by a Korean entity in five and ten-year maturities since 1998. In November, the Bank tapped its US\$500 million bond issue, breaking its previous pricing level in the five-year sector.

The Bank also used private placements off the MTN Program in various currencies such as yen, sterling, Hong Kong dollar, Singapore dollar and euros. This helped expand its investor base and raise cost-effective cash.

In order to diversify funding currencies and boost export financing, the Bank returned to the domestic bond market after a four-year absence. The Bank tapped the market four times in 2005, raising a total of KRW500 billion.

In addition, the capital injection of KRW520 billion from the government during the year enabled the total paid-in capital to reach KRW3,295.8 billion. As a result, the Bank's ownership as of the end of 2005 stands at 60.0% for the Korean government, 35.3% for Bank of Korea, and 4.7% for Korea Development Bank.

Financial Status

Assets and Liabilities

At the end of 2005, the Bank recorded KRW15,156 billion in total assets, up 24.5% from the previous year's KRW12,171 billion figure. This increase in total assets was based in part to an increased level of loan activities. Moreover, total liabilities amounted to KRW10,277 billion, up 19.1% from the previous year's KRW8,627 billion figure, due to the increase of financing debentures.

Meanwhile, the Bank's net assets stood at KRW4,878 billion, up 37.6% from the previous year's KRW3,544 billion amount. Of note is the Bank's paid-in capital increase of KRW520 billion from the government, a KRW223 billion increase in retained earnings, as well as an increase of KRW591 billion from year-on-year gains in the valuation of available-for-sale securities.

Revenues and Expenses

The Bank's total revenues for 2005 stood at KRW1,410 billion, while total expenses and net income recorded KRW1,185 billion and KRW225 billion, respectively. Net income surged 189.7% from the previous year's KRW77 billion figure. Despite the obligation to allocate bad debt reserves and guarantees, the Bank's positive net income figure in 2005 was clearly benefited from the profit made from the sale of the Bank's equity securities.

Supporting Activities

Cooperation with Other Institutions

The Bank endeavors to seek common interest and strengthen mutual ties with various agencies through Cooperation Agreements and Memorandum of Understandings (MOUs).

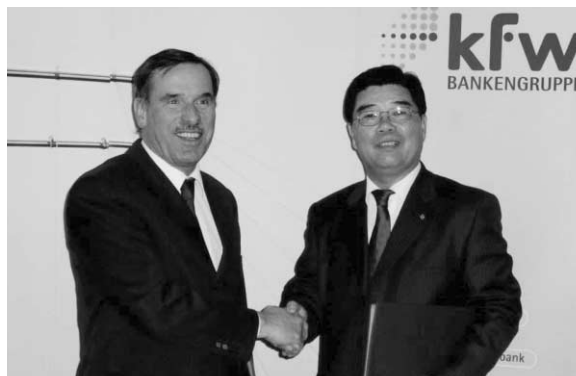
In April, the Bank signed a Cooperation Agreement with KfW IPEX-Bank. Thanks to the Agreement, the Bank can cooperate with KfW IPEX-Bank in various areas, including project finance and co-finance.

In May, an MOU was signed between Korea Eximbank and the National Bank for Foreign Economic Activity of the Republic of Uzbekistan (NBU). The MOU is expected to result in bolstering the bilateral trade and economic cooperation between the two countries.

The Bank signed an MOU in September with PEMEX, Mexico's state-owned oil company attracting 40% of the government's financial earnings. Granting US\$113 million in export credit, the objective of the MOU was to support the "Minatitlan Refinery Complex Modernization Project."

An MOU signed with the African Development Bank in November mainly covers holding annual consultations to seek viable projects to be jointly supported within the African region, co-financing these projects, and exchanging information on Africa's regional economies and businesses.

The Risk Sharing Agreement with the Asian Development Bank (ADB) is expected to establish a comprehensive cooperative relationship between the Bank and the ADB. Under the Agreement, the ADB (80%) and Korea Eximbank (20%) will co-guarantee the L/Cs issued by the relevant banks of the developing nations of Asia for Korean companies' export to these countries. The Agreement and the MOU, signed together, will bring expanded opportunities for the Korean companies to participate in intra-regional projects, not to mention a solid basis for Korea Eximbank to co-finance these projects through various means.



>> Cooperation Agreement with KfW IPEX-Bank

Bank Account Activities

Workshops & Seminars

The Bank continued to host various seminars and workshops in the year 2005. In May, the Bank hosted the “Northeast Asian ECA Meeting” which was attended by Chairman and President of the Export-Import Bank of China and Governor of Japan Bank for International Cooperation (JBIC). The CEOs from the three Export Credit Agencies (ECAs) shared views and opinions on the recent developments of their operation and business environments, and discussed ways to enhance the cooperation with one another.

In July, a two-day symposium on “North Korea’s Development and International Cooperation” was held jointly by Korea Eximbank and the University of Korean Studies. The attendees included many leading experts from home and abroad. The symposium provided a great opportunity to examine and assess the possibility of international cooperation for the development of North Korea.

The Bank also invited the government officials of developing countries and project managers of international financial institutions to the 9th Economic Development Cooperation Fund (EDCF) Workshop in September. The participants comprising 20 government officials from 16 developing countries discussed Korea’s economic development experience and policies for its economic cooperation with the developing nations, as well as measures to participate in the EDCF-supported projects.

In an effort to promote the export of Korean plants, Korea Eximbank invited high-ranking officials of its client companies in major oil producing nations to the “Conference for Overseas Clients.” The Bank hosted the event to heighten the global recognition of Korea’s plant industry, and to lay the groundwork for long-term cooperative relationship between the participating institutions and Korean companies. The program included presentations on the Bank’s roles and functions, as well as industrial field trips to top Korean enterprises to provide the participants with an opportunity to witness Korea’s plant industry firsthand.

The Bank hosted the “5th Annual Seminar for Commercial Counselors” in November, introducing the Bank’s financing programs. The seminar was held as a measure to support the export activities of Korean enterprises, and to provide them with more opportunities to participate in overseas projects. This goes in line with the growing significance of enhanced economic cooperation with the member countries of the Commercial Counselors’ Club as they place orders for large-scale projects.



» Conference for Overseas Clients

Research & Information

To the “Seminar on Expanding Development Partnerships between Korea and Latin America,” the Bank, jointly with Korea Trade-Investment Promotion Agency (KOTRA), invited the working level employees of the Inter-American Development Bank (IDB). The seminar was held to allow domestic enterprises to obtain the necessary information and strategies in making a systematic and practical approach to the Latin American market. The Bank also made a special request to Mr. Luis Alberto Moreno, the newly-appointed IDB President, to provide a lecture for Korean business leaders, Latin American Ambassadors to Korea, and representatives of research institutes.

The Bank’s efforts to carry out in-depth researches on the country study, country risk evaluation, foreign direct investment (FDI) and other economic issues continued in the year 2005.

The Bank concentrated on providing information on the investment climate of various countries, including Turkey and Uzbekistan. In October, an analysis on Korea’s FDI was published. As was evidenced by the financial analysis of more than 1,000 overseas subsidiaries established by Korean companies, successful operation of the overseas subsidiaries contributes to enhancing the trade balance. In November, the Bank made a publication of a comprehensive review on the economic situation and investment environment of APEC member countries, ranging from different labor systems and tax systems to foreign exchange systems.

Korea became the latest member of the Inter-American Development Bank (IDB) in 2005. As a timely measure to provide in-depth information about the IDB, the Bank published a special report on the procurement guideline of the IDB and ways to participate in the bidding of projects in the region.

A special consultants’ section was launched on the Bank’s website for many engineers and consultants in diverse fields to register names and backgrounds, so that they can enjoy easy access to the information on the projects ordered by international development agencies. This particular approach of the Bank is expected to award the engineering and consulting experts with added opportunities to take part in international projects as they make advances overseas.



» “Seminar on Expanding Development Partnerships between Korea and Latin America” with IDB

Government Account Activities - EDCF

Overview

The Economic Development Cooperation Fund (EDCF) has assumed a key role in Korea's bilateral ODA assistance efforts by providing concessional loans to developing countries. The Ministry of Finance and Economy (MOFE) has entrusted the EDCF's operational authority to the Korea Eximbank since the EDCF's inception in 1987.

In 2005, the EDCF focused on three major initiatives: (i) to improve the welfare and quality of life for the people of partner countries by expanding assistance efforts in the healthcare and environmental sectors; (ii) to identify and meet diverse development assistance needs by implementing a range of initiatives, among which are the Policy Dialogue and the Country Cooperation Strategy and Program with partner countries; and (iii) to further strengthen the EDCF's cooperative relationship with various Multilateral Development Banks (MDBs) by signing a memorandum of understanding with the IDB (Inter-American Development Bank).

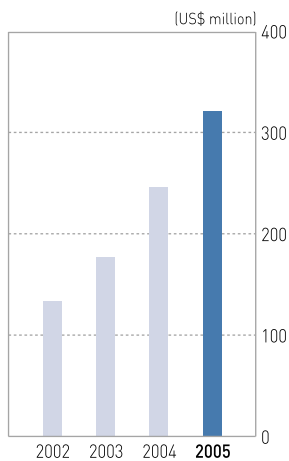
Thus, the year 2005 marked an important year for further expanding and strengthening the EDCF's long-term development strategy.



» Cambodia road repair project

Operational Results

EDCF Loan Commitments



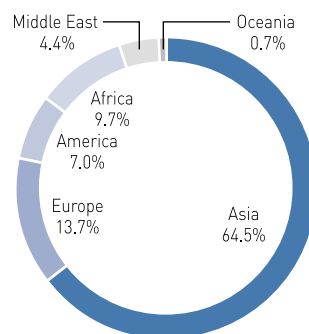
Loan Commitments

In 2005, the EDCF's new loan commitments stood at KRW274.7 billion (US\$264.6 million) for 13 projects in 12 developing countries. During this year, support increased for formerly less supported sectors such as education, environment, water supply and sanitation, and other social services.

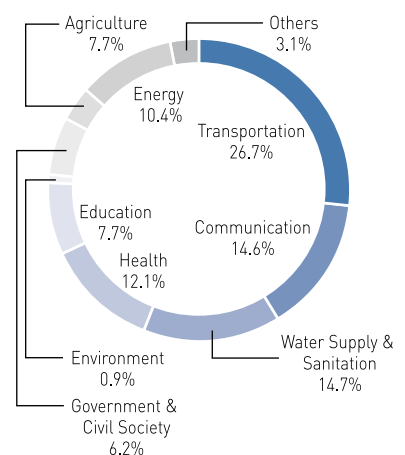
The largest recipient of such loan commitments was Angola with a total commitment amount of KRW33.0 billion (US\$31.4 million) for the Agriculture Modernization Project. The other major recipients of the EDCF for 2005 included Cambodia (KRW27.3 billion), Bangladesh (KRW25.6 billion), and Honduras (KRW25.4 billion). Also in 2005, Equatorial Guinea and the Dominican Republic became first-time recipient countries for the EDCF loan assistance.

In total, the EDCF's overall loan commitments stood at KRW2,379.7 billion (US\$2,356.3 million) for 137 projects in 40 countries. Of this amount, the largest share of commitments was granted to Asia (55%), followed by Africa (20%), and Latin America (18%). In terms of sector distribution, healthcare held the major share (18%), followed by communications (18%), environment (18%), and water supply and sanitation (17%).

Loan Commitments by Region



Loan Commitments by Sector



Government Account Activities - EDCF

Loan Disbursements

Loan disbursements in 2005 increased to KRW164 billion (US\$162.1 million), an increase of 5.7% from the previous year's KRW155 billion (US\$150.2 million) figure. Such disbursement increases is attributed to expediting the mid-term review process of on-going projects and streamlining loan procedures by reducing the time required within each project cycle stage.

Funding Activities

In terms of funding, the EDCF relies solely on public resources to finance its related projects. The major sources of such public resources come from contributions from the general budget account and borrowings from the government's special budget account.

At the end of 2005, the EDCF's total size stood at KRW1,758.6 billion. Of this amount, 44.3% came from the general account budget, 10.1% from the special account budget, and the remaining 45.6% from operational profit and reserves.

Ex-post Evaluation

The ex-post evaluation of the EDCF programs is becoming increasingly important due to an increase in the number of completed EDCF projects and the growing public interest relating to the effectiveness of the projects.

The end-of-project evaluations and ex-post evaluations that were conducted during 2005 were: (i) five projects (including the Olympic Stadium Construction Project in Tunisia) to determine whether each project had achieved its intended outputs; and (ii) three projects with completion dates of three years or more in Myanmar and Bangladesh. Regarding the ex-post evaluation, the Inland Container Depot Construction project in Myanmar was conducted to measure the overall development impact of the project in the recipient country as well as in the project area.

The evaluation results will subsequently be used for feedback into future projects to further enhance the EDCF's overall effectiveness.

The 9th EDCF Workshop

The EDCF holds annual workshops for government officials of developing countries in order to familiarize the participants with the EDCF policies and loan procedures. In 2005, the 9th EDCF workshop was held for 21 participants from 16 countries as well as the African Development Bank (AfDB).

During the 10-day workshop, the participants attended various lectures on Korea's ODA policy and development experience. The participants also had the opportunity to visit some of Korea's major industrial sites in addition to places of historic significance. Such collaboration has increased information-sharing and improved the understanding of both the similarities and differences between the EDCF and its partner government officials.

The EDCF will continue to deepen this collaboration in the future, serving as an important venue for government officials from beneficiary countries to help better understand Korea's ODA goals and processes, thereby improving the shared belief in mutual economic cooperation.



» The 9th EDCF Workshop



» Reviewing Bangladesh lifeboat project

Other Activities

Setting up the Mid-term Strategic Plan

In 2005, the EDCF launched its first mid-term strategic plan, as part of its efforts to promote economic cooperation with partner countries. The plan clearly laid out the EDCF's goals, principles, and management strategies for the next four years, from 2006 to 2009. More specifically, the plan detailed its financial assistance efforts for partner countries, including funding plans, developmental assistance strategies for each geographic region, country and sector, and tools needed for such strategic aid implementation.

Introduction of the Country Cooperation Strategy and Program

The EDCF introduced the Country Cooperation Strategy and Program (CCSP) to ensure the efficient allocation of funds and to help maximize the use of such funds. The first CCSP was developed for Indonesia. All CCSPs include information regarding the recipient country's development status and outlook, development strategy, as well as Korea's aid program for each country. The CCSP enables the EDCF to better accommodate a recipient country's mid-term development plan. In addition, the EDCF's financial assistance is expected to become even more effective due to its ability to concentrate on projects consistent with a recipient country's mid-term policy rather than providing support on an ad hoc basis.

Strengthening Cooperation with MDBs and Other Donors

A growing consensus exists in the global aid community that cooperation among aid organizations is the key component to maximizing the effectiveness of development assistance. Accordingly, in 2005, the EDCF continued its steadfast efforts to strengthen its cooperation with Multilateral Development Banks (MDBs) and other donors. For example, the EDCF held annual and working-level meetings to discuss co-financing projects with five major MDBs - the World Bank, the ADB, the Inter-American Development Bank (IDB), the European Bank for Reconstruction and Development (EBRD) and the African Development Bank (AfDB). As further evidence of such efforts, the EDCF also co-financed Turkey's purchase of commuter trains with the Japan Bank for International Cooperation (JBIC).

Boosting Public Awareness of EDCF Programs

Compared to other advanced nations, Korea first began to provide Official Development Assistance (ODA) on a fairly recent basis. As a result, the Korean public has yet to fully understand the need for international aid activities. Thus in 2005, the EDCF continued its efforts to promote public awareness efforts for its various programs.

In this spirit, a documentary presenting the EDCF programs was aired by the Korean Broadcasting System (KBS), one of Korea's most prominent national broadcasting companies. Furthermore, over fifteen newspaper features, contributions, and press releases were published to introduce the EDCF programs to the general public. The EDCF invited relevant organizations in Korea to more than ten lectures and on-site tours to improve their understanding of the EDCF programs. Also consistent with boosting the public's awareness of the EDCF programs in 2005, the EDCF published a monthly publication titled 'International ODA Trends' to provide further insight into international ODA trends and to convey the need for the EDCF's important role within the international community.

Government Account Activities - IKCF

Overview

The Bank has operated the government-backed Inter-Korean Cooperation Fund (IKCF) since March 20, 1991.

The IKCF was established in 1990 under the South-North Korea Cooperation Fund Law to boost exchanges and cooperation between the two Koreas. Since its establishment, the IKCF has made consistent efforts to meet its stated objectives.

In 2003, the Bank was given the additional role of clearing settlement operations with its counterpart in the North, the Foreign Trade Bank of North Korea.

Inter-Korean Development

Since the historic South-North Korea Summit and the Joint Declaration on June 15, 2000, the two Koreas have made substantial progress in furthering joint economic cooperation. Specifically, they agreed on four aspects to provide an institutional framework for economic cooperation: (i) investment protection; (ii) prevention of double taxation; (iii) clearing settlement; and (iv) commercial dispute settlement. Such agreement finally took effect on August 2003. The South and North have gone forward to carry out various joint projects, such as the Mount Geumgang tourism development, the Seoul-Shinuiju railroad, the Munsan-Gaesong highway, and the Gaesong Industrial Complex.



>> Dorasan train station - linking the capitals of North and South Korea



The meeting on June 17, 2005 between South Korea's Presidential Special Envoy and North Korea's National Defense Commission Chairman led to the restoration and revitalization of inter-Korean relations, which had previously been in a stalemate since July 2004. Relating to the meeting, South Korea promised a transmission of two million kilowatts of electricity directly to the North, on the condition that the North firmly commit to abandoning its entire nuclear weapons arsenal as well as abandoning its other existing nuclear programs. This important proposal set a milestone for the progress of the six-party talks. Moreover, the adoption of the September 19 Joint Statement during the fourth round of talks in 2005 led to the establishment of the basic principles to resolve the North Korean nuclear issue.



» Providing fertilizer to North Korea

On December 29, 2005, the "Inter-Korea Relation Development Act" was promulgated, which aims to create a legal basis for South Korea's aid to the North. The Act redefines inter-Korean relations as a special cooperative entity strengthened through various reunification efforts. The Act also encourages the South Korean government to make efforts to improve the North's human rights conditions while further supporting humanitarian aid programs for the North. It also recommends that the South establish an inter-Korean economic cooperative body through mutual cooperation with the North.

In 2005, the trade volume between the two Koreas increased by 51.5% from US\$697 million in 2004 to US\$1,056 million. As evidence, the number of tourists to Mount Geumgang surpassed 1 million in June 2005, just seven years after the tour's 1998 inception. At the same time, the quality of the tourism industry has also notably improved.



» Shoe factory in Gaesong Industrial Complex

One test case for building a common Korean economic community is the Gaesong Industrial Complex, which combines the capital and technological know-how of South Korea with the labor force of North Korea. On March 16, 2005, electricity supply began for the project's construction. On December 28, 2005, a communications network was also set up to enable direct communication, with the construction of the infrastructure's overall facilities to be completed in the near future. Further, on October 28, 2005, the two Koreas opened a joint economic cooperation office in Gaesong. The office was created to help promote mutual economic cooperation. And as of the end of 2005, a total of 11 South Korean enterprises had business operations in the complex. Going forward, the number of South Korean businesses is expected to increase even further to 300 by the end of 2006, and to 1,000 within the next three years. At that point, approximately 100,000 North Koreans will be working for South Korean companies.

Government Account Activities - IKCF

Assistance Activities

In 2005, the IKCF assisted in 167 projects with KRW674.4 billion. Moreover, the IKCF provided KRW29.3 billion in loans to South Korean companies involved in bilateral trade and cooperative economic projects, and disbursed KRW204.5 billion for the construction of railroads and highways.

The IKCF supports humanitarian efforts as well. For example, the IKCF extended KRW186.6 billion in aid for NGO-led projects, thereby providing food and medical assistance. In addition, the IKCF disbursed US\$146 million (of the US\$155 million loan commitment amount) to the Foreign Trade Bank of North Korea by purchasing 500,000 tons of rice. The IKCF also provided KRW24.5 billion in grants for family reunions, cultural events, academic seminars, and visits to North Korea.

As of the end of 2005, the accumulated disbursement amount stood at KRW3,992 billion, an increase of 20.3% from the previous year's KRW3,318 billion figure.

Additionally, the IKCF introduced the "Loss Insurance Program for Trade and Economic Cooperation" in 2004. The Program is designed to support companies investing in and trading with the North by partly compensating their losses caused by emergency situations, such as breakouts of political conflicts or unexpected turmoil.

Funding Activities

Major IKCF funding sources include government contributions, borrowings from the Public Capital Management Fund, and the financial reserves and returns on the IKCF's portfolio investments.

As of December 2005, the IKCF's total accumulated resources stood at KRW5,772.9 billion, of which KRW991.2 billion was raised in 2005. Of the accrued amount, 45.0% originated from government contributions, 48.7% from the Public Capital Management Fund, and 6.3% from related reserves and financial returns.



Corporate Social Responsibility

Overview

At Korea Eximbank, we do not regard financial obligations and results as the sole ingredient to attaining sustainable growth. In addition to financial performance, voluntary engagement in various community service activities not only enlightens personal growth and professional development, but also fosters the Bank's overall image.

As a corporate citizen and official export credit agency, Korea Eximbank has a social responsibility to participate in community service programs, which would integrate the Bank's roles and functions with its public responsibilities.

Following are the community service programs carried out by the Bank in 2005, which contributed to keeping us closer to the people around us.

Sharing Privileges

The Bank launched "Korea Eximbank Share Group" in April 2005, in pursuit of providing a wide range of social contribution activities. The group is actively engaged in diverse activities for the less-privileged citizens. Because we believe Korea Eximbank, as a government-led financial institution, represents Korea in the global community, we are bound to share our benefits and privileges.

Activities of the group include donating for the needy, visiting the orphanages and nursing homes to offer cleaning and bath services, distributing food to the homeless, establishing sisterhood relationships with rural communities, and providing economic training sessions to primary school students.

The Bank's volunteer activities are combined with special activities by various clubs of the Bank. Many sports clubs such as mountain climbing, tracking, soccer, basketball, tennis and table tennis clubs invited the less-privileged to gatherings and games, which the invitees greatly enjoyed. Newly recruits are officially obligated to serve in the special facilities for the handicapped as a way to share the joy of joining the Bank.

As a measure to encourage more employees to participate in the Bank's volunteer activities, volunteers are given training credits, which all Bank staffs must accumulate in order to get promoted. The Bank gives unsparing support toward the activities by having them carried out during working hours instead of the off hours.



>> "Korea Eximbank Share Group" members visit orphanage



>> Korea Eximbank employee participating in the "Junior Achievement" program

Diversified Donation Measures

The Bank's cash donation activity dates back to its establishment in 1976. Currently, around 70% of the staffs are involved in the "one-person one-account activity" managed by Korea Welfare Foundation, Inc. Monthly donation goes in support of the less-fortunate children.

All staff members also take part in saving a certain part of their salaries to donate to orphanages and nursing homes at the end of every year. The growing interest of the staffs in corporate social responsibility raised the amount of donation and diversified the appropriation measures. The increased amount is now devoted to the relief of starving infants in North Korea, which is promoted by Korea Food for the Hungry International (KFHI).



>> Executive Director Shin awards scholarships to students

The Bank's donation activities are diverse. Every year, the Bank's labor union and management engage in donation activities for the needy, send supplies to army units, and offer scholarship awards to the underage heads of households.

Contributing by Education

Korea Eximbank is highly capable of promoting the cooperation between the industrial and academic circles. As an example, the Bank holds seminars on global business, specifically designed to target undergraduate and graduate students. In order to motivate them to become eligible members of the society in the era of globalization, the Bank organizes the seminars to share the knowledge and experiences accumulated throughout the Bank's 30-year history.

In September 2005, the Bank joined Junior Achievement Korea, the Korean branch of the world's largest and fastest growing provider of business and economic education. Around 20 staffs of Korea Eximbank dedicated several weeks to giving lectures on money management, market principles and economy at local primary schools. With enthusiasm and good will, the volunteers experienced the joy of giving. While encouraging young people to become successful workers and wise consumers, the volunteers equipped them to compete and succeed in the global economy.



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Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

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

We have audited the accompanying non-consolidated balance sheet of The Export-Import Bank of Korea (the "Bank") as of December 31, 2005, and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the year then ended, all expressed in Korean Won. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit. The accompanying non-consolidated balance sheet as of December 31, 2004 and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the year then ended were audited by other auditors, and on their report dated January 21, 2005, they expressed an unqualified opinion on those financial statements.

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

In our opinion, the 2005 non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2005, and the result of its operations, changes in its retained earnings and cash flows for the year then ended, in conformity with accounting principles generally accepted in the Republic of Korea (See Note 2).

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice.

Deloitte Anjin LLC

January 20, 2006

Notice to Readers

This report is effective as of January 20, 2006, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

Non-Consolidated Balance Sheets

As of December 31, 2005 and 2004

	2005		Korean Won (in millions) 2004	
ASSETS				
Due from banks (Notes 3, 16, 20, 21 and 22)	₩	44,047	₩	69,504
Securities (Notes 4, 16 and 20)		3,214,932		2,006,050
Loans, net (Notes 5, 6, 16, 20 and 21)		11,611,280		9,690,668
Fixed assets (Note 7)		45,263		47,110
Other assets (Notes 8, 15 and 19)		240,243		357,291
	₩	15,155,765	₩	12,170,623
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES:				
Borrowings (Notes 9, 16, 20 and 21)	₩	651,249	₩	1,098,591
Debentures (Notes 10, 16, 20 and 21)		8,570,536		6,744,001
Other liabilities (Notes 2, 11, 12, 13, 15 and 19)		1,055,592		783,951
		10,277,377		8,626,543
SHAREHOLDERS' EQUITY (Notes 4 and 14):				
Capital		3,295,755		2,775,755
Retained earnings				
(Net income of ₩224,491 million in 2005				
and ₩77,476 million in 2004)		687,027		464,086
Capital adjustments (Note 4)		895,606		304,239
		4,878,388		3,544,080
	₩	15,155,765	₩	12,170,623

See accompanying notes to non-consolidated financial statements.

Non-Consolidated Statements of Income

For the Years Ended of December 31, 2005 and 2004

	Korean Won (in millions)	
	2005	2004
OPERATING REVENUES:		
Interest income (Notes 16 and 21):		
Interest on due from banks	₩ 1,949	₩ 2,145
Interest on available-for-sale securities	834	1,367
Interest on held-to-maturity securities	1,177	1,236
Interest on loans	488,789	406,399
	492,749	411,147
Commission income (Note 21)	145,550	149,445
Other operating income:		
Dividends on available-for-sale securities	6,382	9,830
Foreign exchange trading income	94,397	10,202
Gain on financial derivatives trading (Note 15)	59,626	81,216
Gain on valuation of financial derivatives	70,329	50,094
Gain on valuation of fair value hedged items	53,182	46,750
Reversal of loan loss (Note 6)	-	57,057
Reversal of acceptance and guarantee losses (Note 12)	11,366	-
Other operating income	67	271
	295,349	255,420
Total operating revenues	933,648	816,012
OPERATING EXPENSES:		
Interest expenses (Notes 16 and 21):		
Interest on borrowings	13,532	35,532
Interest on call money	11,146	4,283
Interest on debentures	367,651	279,464
	392,329	319,279
Commission expense	1,625	3,078
Other operating expenses:		
Provision for possible loan losses (Note 6)	140,374	-
Provision for acceptance and guarantee losses (Note 12)	-	181,034
Provision for other allowance (Note 12)	27,597	-
Foreign exchange trading losses	13,960	75,767
Loss on financial derivatives trading (Note 15)	77,551	24,445
Loss on valuation of financial derivatives	138,521	44,331
Loss on valuation of fair value hedged items	24,997	1,427
Other operating expenses	17	74
	423,017	327,078
General and administrative expenses (Notes 7 and 17)	99,583	83,130
Total operating expenses	916,554	732,565
OPERATING INCOME	17,094	83,447
NON-OPERATING INCOME (Notes 4 and 18)	290,316	33,886
NON-OPERATING EXPENSES (Notes 4 and 18)	1,135	11,037
ORDINARY INCOME	306,275	106,296
EXTRAORDINARY ITEM	-	-
NET INCOME BEFORE INCOME TAX	306,275	106,296
INCOME TAX EXPENSE (Note 19)	81,784	28,820
NET INCOME	₩ 224,491	₩ 77,476

See accompanying notes to non-consolidated financial statements.

Non-Consolidated Statements of Appropriations of Retained Earnings

For the Years Ended December 31, 2005 and 2004

	Korean Won (in millions)	
	2005	2004
RETAINED EARNINGS BEFORE APPROPRIATIONS:		
Retained earnings carried over from prior year	₩ -	₩ -
Net income	224,491	77,476
	224,491	77,476
APPROPRIATIONS:		
Legal reserve	44,898	15,495
Voluntary reserve	165,822	60,431
Dividends (Note 14)	13,771	1,550
	224,491	77,476
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR	₩ -	₩ -

See accompanying notes to non-consolidated financial statements.

Non-Consolidated Statements of Cash Flows

For the Years Ended of December 31, 2005 and 2004

	2005		Korean Won (in millions) 2004	
	₩		₩	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income		224,491		77,476
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for possible loan losses		140,374		-
Provision for acceptance and guarantee losses		-		181,034
Provision for other allowance		27,597		-
Foreign exchange trading losses		13,960		75,767
Loss on financial derivatives trading		77,551		24,445
Loss on valuation of financial derivatives		138,521		44,331
Loss on valuation of fair value hedged items		24,997		1,427
Depreciation		4,045		3,643
Amortization		1,656		1,469
Provision for severance benefits		6,900		5,801
Amortization of bond discounts		91,309		35
Loss on disposal of tangible assets		73		688
Loss on disposal of available-for-sale securities		-		660
Loss on valuation of securities using the equity method		-		183
Other non-operating expenses		-		2,587
Foreign exchange trading income		(94,397)		(10,202)
Gain on financial derivatives trading		(59,626)		(81,216)
Gain on valuation of financial derivatives		(70,329)		(50,094)
Gain on valuation of fair value hedged items		(53,182)		(46,750)
Reversal of loan loss		-		(57,057)
Reversal of acceptance and guarantee losses		(11,366)		-
Amortization of bond premium		(1,184)		(1,824)
Gain on disposal of tangible assets		(21)		(158)
Gain on disposal of available-for-sale securities		(260,689)		(10,238)
Gain on valuation of securities using the equity method		(3,656)		-
Amortization of present value discount		(8,467)		(8,917)
		(35,934)		75,614
Changes in assets and liabilities resulting from operations:				
Net increase in accrued income		(40,269)		(36,376)
Net increase in deferred income tax assets		(17,897)		(78,174)
Net increase in payables		67,286		8,707
Net increase in accrued expenses		44,962		46,854
Net increase in deferred revenue		33,387		30,761
Payment of severance benefits		(2,329)		(1,230)
Net increase (decrease) in unpaid foreign exchange liabilities		(83,943)		143,525
Others, net		(31,903)		(890)
		(30,706)		113,177
Net cash provided by operating activities	₩	157,851	₩	266,267

(Continued)

Non-Consolidated Statements of Cash Flows (Continued)

For the Years Ended of December 31, 2005 and 2004

	2005		Korean Won (in millions) 2004	
CASH FLOWS FROM INVESTING ACTIVITIES:				
Net increase in loans	₩	(2,052,519)	₩	(425,041)
Net decrease in available-for-sale securities		408,398		38,639
Net decrease (increase) in held-to-maturity securities		70,514		(54,632)
Net decrease (increase) in securities using the equity method		7,632		(36,961)
Net decrease in financial derivatives		11,289		45,703
Net increase in other assets		(6,289)		(11,290)
Net cash used in investing activities		(1,560,975)		(443,582)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Net decrease in foreign borrowings		(344,514)		(2,767,228)
Net increase (decrease) in call money		(102,828)		406,594
Net increase in debentures		481,515		-
Net increase in foreign debentures		1,325,044		2,489,125
Net increase in capital		20,000		10,000
Payment of dividends		(1,550)		-
Net cash provided by financing activities		1,377,667		138,491
NET DECREASE IN DUE FROM BANKS		(25,457)		(38,824)
DUE FROM BANKS, BEGINNING OF THE YEAR		69,504		108,328
DUE FROM BANKS, END OF THE YEAR (Note 22)	₩	44,047	₩	69,504

See accompanying notes to non-consolidated financial statements.

Notes to Non-Consolidated Financial Statements

For the Years Ended December 31, 2005 and 2004

1. GENERAL:

The Export-Import Bank of Korea (the "Bank") was established in 1976 as a special financial institution under the Export-Import Bank of Korea Act (the "EXIM Bank Act") to engage in facilitating export and import transactions, overseas investments and overseas resources development through the extension of loans and other financial facilities. The Bank has eleven domestic branches, four overseas subsidiaries and twelve overseas offices as of December 31, 2005.

The Bank has ₩4,000,000 million of authorized capital and as of December 31, 2005, its paid-in capital is ₩3,295,755 million through several capital increases. The Bank is owned by the Government of the Republic of Korea (the "Government"), the Bank of Korea ("BOK") and Korea Development Bank with 60%, 35.3% and 4.7% shareholding, respectively, as of December 31, 2005.

The Bank, as an agent of the Government, has managed the Economic Development Cooperation Fund and the Inter-Korean Cooperation Fund (the "Funds") since June 1987 and March 1991, respectively. The Funds are managed under separate accounts from the Bank's own accounts and not included in the accompanying non-consolidated financial statements. The related management commissions are received from the Government.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Non-consolidated Financial Statement Presentation

The Bank maintains its official accounting records in Korean Won and prepares statutory non-consolidated financial statements in the Korean language (Hangul) in conformity with the accounting principles and banking accounting standards generally accepted in the Republic of Korea. Certain accounting principles and banking accounting standards applied by the Bank that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles and banking accounting practices in other countries. Accordingly, these non-consolidated financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language non-consolidated financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Bank's financial position, results of operations or cash flows, is not presented in the accompanying financial statements.

The significant accounting policies followed by the Bank in preparing the accompanying financial statements are summarized below.

Interest Income Recognition

The Bank applies the accrual basis in recognizing interest income related to deposits, loans and securities, except for non-secured uncollectible receivables. Interest on loans, whose principal or interest is past due at the balance sheet date, is generally not accrued, with the exception of interest on certain loans secured by guarantee of governments or government agencies, or collateralized by bank deposits. When a loan is placed on non-accrual status, previously accrued interest is generally reversed and deducted from current interest income; and future interest income is recognized on cash basis in accordance with the accounting standards of the banking industry. As of December 31, 2005 and 2004, the accrued interest income not recognized in the accompanying financial statements based on the above criteria, amounted to ₩7,342 million and ₩6,529 million, respectively.

Classification of Securities

At acquisition, the Bank classifies securities into one of the following categories: trading, available-for-sale, held-to-maturity and securities using the equity method, depending on marketability, acquisition purpose and ability to hold. Debt and equity securities that are bought and held for the purpose of selling them in the near term and actively traded over-the-counter are classified as trading securities. Debt securities with fixed and determinable payments and fixed maturity that an enterprise has the positive intent and ability to hold to maturity are classified as held-to-maturity securities. Securities that should be valued with the equity method are classified as securities using the equity method. Debt and equity securities not classified as the above are categorized as available-for-sale securities.

Notes to Non-Consolidated Financial Statements

For the Years Ended December 31, 2005 and 2004

If the objective and ability to hold securities of the Bank change, available-for-sale securities can be reclassified as held-to-maturity securities and vice-versa. However, if the Bank sells held-to-maturity securities or requires the issuer to redeem the securities early in the current year and the proceeding two years, or if it reclassifies held-to-maturity securities as available-for-sale securities, all debt securities that are owned or purchased cannot be classified as held-to-maturity securities. On the other hand, trading securities cannot be re-categorized as available-for-sale or held-to-maturity securities and the other categories cannot be reclassified as trading securities. Nevertheless, trading securities can be reclassified as available-for-sale securities only when the fair value of the trading securities cannot be readily determinable.

Valuation of Securities

(1) Valuation of Trading Securities

Trading equity and debt securities are initially recognized at acquisition cost plus incidental expenses determined by the individual moving average method or individual method. When the face value of trading debt securities differs from its acquisition cost, the effective interest method is applied to amortize the difference over the remaining term of the securities. After initial recognition, trading securities are valued at fair value if the fair value of trading securities differs from its acquisition cost. The carrying value is adjusted to the fair value and the resulting valuation gain or loss is charged to current operations.

(2) Valuation of Held-to-maturity Securities

Held-to-maturity securities are initially recognized at acquisition cost plus incidental expenses, determined by the individual method. After initial recognition, held-to-maturity securities are valued at amortized cost. The effective interest method is applied to amortize the difference between the face value and the acquisition cost over the remaining term of the securities. If collectible value is below the acquisition cost and pervasive evidence of impairment exists, the carrying value is adjusted to fair value and the resulting valuation loss is charged to current operations.

(3) Valuation of Available-for-sale Securities

Available-for-sale securities are initially recognized at acquisition cost plus incidental expenses, determined by the individual moving average method or individual method. After initial recognition, the effective interest method is applied to amortize the difference between the face value and the acquisition cost over the remaining term of the available-for-sale debt security. Available-for-sale equity securities are valued at fair value, and the net unrealized gain or loss is presented as gain or loss on valuation of available-for-sale securities in capital adjustments. Accumulated capital adjustment of securities is charged to current operations in lump sum at the time of disposal or impairment recognition. Non-marketable equity securities are stated at acquisition cost on the accompanying financial statements if the fair value of the securities is not credibly determinable.

For available-for sale equity securities, if the decline in the fair value of equity securities is below the acquisition cost and pervasive evidence of impairment exists, the carrying value is adjusted to fair value and the resulting valuation loss is charged to current operations. For available-for-sale debt securities, if the decline in the collectible value of debt securities is below the amortized cost and pervasive evidence of impairment exists, the carrying value is adjusted to collectible value and the resulting valuation loss is charged to current operations. With respect to impaired securities, any unrealized valuation gain or loss of securities previously included in the capital adjustment account is reversed.

(4) Valuation of Securities Using the Equity Method

Investments in equity securities of the investee of which the Bank is able to exercise significant influence over by participating in the financial and operating policy decisions of the investee are accounted for using the equity method. The Bank's share of the profit or the loss of the investees is recognized in the Bank's profit or loss. If the changes in the investee's retained earnings are generated from the investee's correction of significant errors, of which impact on the Bank's financial statements is not significant, the changes are reflected as gain or loss on valuation of securities using the equity method in current operations. In addition, if the changes in the investee's retained earnings are generated from the investee's accounting changes, the changes are reflected as positive or negative changes in retained earnings from the application of the equity method in the retained earnings of the Bank. Changes in the capital surplus or other capital accounts of the investee are reflected as positive or negative changes in capital from the application of the equity method in the capital adjustment of the Bank.

(5) Recovery of Loss on Impairment of Available-for-Sale Securities and Held-to-Maturity Securities

For available-for-sale securities, the recovery is recorded in non-operating income up to the amount of the previously recognized impairment loss as recovery of loss on impairment of available-for-sale securities and any excess is included in the capital adjustment account as gain on valuation of available-for-sale securities. However, if increase in the fair value of the impaired securities is not regarded as the recovery of the impairment, the increase in the fair value is recorded as gain or loss on valuation of available-for-sale securities in capital adjustments. For non-marketable equity securities, which were impaired based on the net asset fair value, the recovery is recorded up to their acquisition cost. For held-to-maturity securities, the recovery is recorded in non-operating income up to the amount of the previously recognized impairment loss as recovery of loss on impairment of held-to-maturity securities.

(6) Reclassification of Securities

When held-to-maturity securities are reclassified as available-for-sale securities, those securities are stated at the fair value on the reclassification date and the difference between the fair value and book value are accounted on the capital adjustment account as gain or loss on valuation of available-for-sale securities. When available-for-sale securities are reclassified as held-to-maturity securities, gain or loss on valuation of available-for-sale securities, which had been recorded until the reclassification date, continue to be stated on the capital adjustment account and is amortized using the effective interest rate and charged to interest income upon maturity. The difference between the fair value on the reclassification date and face value of the securities reclassified as held-to-maturity securities is amortized using the effective interest rate and charged to interest income.

Allowance for Loan Losses

The Supervisory Regulation of Banking Business (the “Supervisory Regulation”) legislated by the Financial Supervisory Commission (FSC) requires the Bank to classify all credits into five categories as normal, precautionary, substandard, doubtful, or estimated loss based on borrowers’ repayment capability using Forward Looking Criteria (the “FLC”) as well as past due period and status of any bankruptcy proceedings. The Supervisory Regulation also requires the Bank to provide the minimum rate of loan loss provision for each category balance using the prescribed minimum percentages. Based on the standards, the Bank generates the credit ratings considering the borrowers’ industry risk, individual credit risk and financial risk based on the FLC as follows:

Classification	Credit ratings	Provision Rates
Normal	P1 ~ P6	0.71% or more
Precautionary	SM	15% or more
Substandard	S	40% or more
Doubtful	D	90% or more
Estimated loss	F	100%

Provisions are applied to all loans excluding call loans and inter-bank loans, which are classified as ‘normal’.

The Bank modified the provision method for normal loans in the current year. Loans classified as normal have been subdivided into domestic loans and overseas loans. The former was again subdivided into small and medium-sized business loans and big enterprise loans. The allowance was assessed based on the rate of basic provision and default risk by maturity (the variation of accumulated average bankruptcy rates for periods assessed by domestic credit rating agencies). The rate of basic allowance for small and medium-sized business loans was computed using the historical loss experience rate based on the loss experience for the past seven years. However, the domestic banks’ average provision rate for normal loans is applied to the allowance for big enterprise loans due to the lack of statistical significance of the difference between the historical loss experience rate and actual rate of losses on credits. The allowance for overseas normal loans is assessed based on the sovereign credit ratings and type of borrowers (public or private). The provisions are the differences between the discounted value of the sovereign loans and the present value of the risk-free loan with the same conditions. The applied rate for private business is one grade lower than the rate for the public business with the same credit risk. In addition, the Bank provided additional allowance for the top 5 businesses loan and for the 5 sovereign loans in terms of its balance whose credit ratings are lower than D+ in regards with sovereignty considering the credit centralization risk in terms of borrowers’ sovereignty and business.

Notes to Non-Consolidated Financial Statements

For the Years Ended December 31, 2005 and 2004

Pursuant to the amended Supervisory Regulation Banking Business, the Bank changed the provision method of allowance for loan losses on the confirmed acceptance and guarantee. The Bank additionally provided allowance for unconfirmed acceptance and guarantee, and for unused credit line of loan commitments since January 1, 2005.

The changes of the Bank's provisioning method and rates for allowance provision are as follows:

	Allowance rates prior to modification		Allowance rate after modification		
	Classification	Rates	Classification	Rates	Add-on
Loans	Due in 1 year or less	1.50%	Domestic small and Medium-sized business	1.81% ~ 4.26%	0.3% ~ 5.0%
	Due after 1 year through 3 years	1.75%	Domestic big enterprises	0.71% ~ 3.16%	
	Due after 3 years	1.90%	Overseas public institutions	0.71% ~ 9.23%	
	Small and medium-sized business	1.90%	Overseas private sectors	0.71% ~ 9.23%	
Acceptances and guarantees outstanding	Confirmed	0.75% ~ 1.75%	Based on loan classification after applying 20~50% of the credit conversion rate		
	Unconfirmed	-	Normal: the same rate as of those due in 1 year or less after applying 20~50% of the credit conversion rate Precautionary: the same as loan classification rate		
Loan agreement		-	Based on loan classification after applying the credit conversion rate of 20~50%		

Due to the aforementioned changes, allowance for loan losses and other allowances increased by ₩186,852 million and ₩27,597 million, respectively and allowance for loan losses on confirmed and unconfirmed acceptances and guarantees decreased by ₩40,607 million as of December 31, 2005, and income before income tax decreased by ₩173,842 million in 2005.

Restructuring of Loans

The equity interest in the debtors, net of real estates and/or other assets received as full or partial satisfaction of the Bank's loans, collected through reorganization proceedings, court mediation or debt restructuring agreements of parties concerned, is recorded at fair value at the time of the restructuring. In cases where the fair value of the assets received are less than the book value of the loan (book value before allowances), the Bank offsets first the book value against allowances for loans and then recognizes provisions for loans. Impairment losses for loans that were restructured in a troubled debt restructuring involving a modification of terms are computed by the difference between the present value of future cash flows under debt restructuring agreements discounted at effective interest rates at the time when loans are originated and the book value before allowances for loans. If the amount of allowances already established is less than the impairment losses under the workout plans, the Bank establishes additional allowances for the difference. Otherwise, the Bank reverses the allowances for loan losses.

Valuation of Receivables and Payables at Present Value

Receivables and payables incurred through long-term installment transactions, long-term borrowing and lending transactions, and other similar transactions are stated at the present value of expected future cash flows, unless the difference between nominal value and present value is immaterial. Present value discount or premium is amortized using the effective interest rate method and credited or charged to interest income or interest expense.

Valuation and Depreciation of Tangible Assets

Tangible assets included in fixed assets are stated at acquisition cost or production cost including the incidental expenses and capital expenditures, except for assets revalued upward in accordance with the Asset Revaluation Law of Korea. Routine maintenance and repairs are expensed as incurred. Expenditures that result in the enhancement of the value or extension of the useful lives of the facilities involved are capitalized as additions to tangible assets.

Depreciation is computed using the declining-balance method (straight-line method for buildings purchased since January 1, 1995 and leasehold improvements) based on the estimated useful lives of the assets as prescribed by the Corporate Income Tax Law of Korea as follows:

	Years
Buildings	10~60
Vehicles	4
Furniture and fixtures	4 ~ 20

Valuation and Amortization of Intangible Assets

Intangible assets included in fixed assets are recorded at the production cost or purchase cost, plus incidental expenses and capital expenditures, and deducted by purchase discount, if any. Expenditures incurred in conjunction with the development of new products or technology and others, in which the elements of costs can be individually identified and future economic benefits expected, are capitalized as development costs under intangible assets. Intangible assets are amortized using the reasonable amortization method over the reasonable useful life under 5 years for development costs and other intangible assets.

Recognition of Asset Impairment

When the book value of assets (except for trading securities, available for securities and assets valued at present value) exceeds the recoverable value of the assets due to obsolescence, physical damage or a sharp decrease in market value and the difference is material, those assets are adjusted to recoverable value in the balance sheet and the resulting impairment loss is charged to current operations. If the recoverable value of the assets increases in subsequent years, the increase in value is credited to operations as a gain until the recoverable value equals the book value of the assets before the impairment loss was recognized.

Amortization of Discount (Premium) on Debentures

Discount or premium on debentures issued is amortized over the period from issuance to maturity using the effective interest rate method. Amortization of discount or premium is recognized as interest expense or interest income on the debentures.

Accrued Severance Benefits

Employees and directors with more than one year of employment are entitled to receive a lump-sum payment upon termination of their employment with the Bank, based on their length of employment and rate of pay at the time of termination. The accrued severance benefits that would be payable assuming all eligible employees and directors were to resign amount to ₩22,950 million and ₩18,379 million as of December 31, 2005 and 2004, respectively. The accrued severance benefits are included in other liabilities.

The Bank had deposited the partial amount of future estimated severance benefits in National Pension Fund in accordance with the former National Pension Law. These are recorded as contra accounts of accrued severance benefits of the Bank.

Accounting for Financial Derivative Instruments

The Bank accounts for financial derivative instruments pursuant to the Interpretations on Financial Accounting Standards 53-70 on accounting for financial derivative instruments. Financial derivative instruments are classified as used for trading activities or for hedging activities according to their transaction purpose. All derivative instruments are accounted for at fair value with the valuation gain or loss recorded as an asset or a liability. If the derivative instrument is not part of a transaction qualifying as a hedge, the adjustment to fair value is reflected in current operations.

Notes to Non-Consolidated Financial Statements

For the Years Ended December 31, 2005 and 2004

The accounting for derivative transactions that are part of a qualified hedge based both on the purpose of the transaction and on meeting the specified criteria for hedge accounting differs depending on whether the transaction is a fair value hedge or a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument designated as hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss both on the hedging derivative instruments and on the hedged item attributable to the hedged risk is reflected in current operations. Cash flow hedge accounting is applied to a derivative instrument designated as hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecasted transaction that is attributable to a particular risk. The effective portion of gain or loss on a derivative instrument designated as a cash flow hedge is recorded as a capital adjustment and the ineffective portion is recorded in current operations. The effective portion of gain or loss recorded as a capital adjustment is reclassified to current earnings in the same period during which the hedged forecasted transaction affects earnings.

Income Tax Expense

Income tax expense is the amount currently payable for the period added to or deducted from the changes in deferred income taxes. However, deferred income tax assets are recognized only if the future tax benefits from accumulated temporary differences and any tax loss carryforwards are realizable. The difference between the amount currently payable for the period and income tax expense is accounted for as deferred income tax assets or liabilities, which will be charged or credited to income tax expense in the period each temporary difference reverses in the future. Deferred income tax assets or liabilities are calculated based on the expected tax rate to be applied at the reversal period of the related assets or liabilities. Tax payable and deferred income tax assets or liabilities with regards to certain items are charged or credited directly to related components of shareholders' equity.

Accounting for Foreign Currency Transactions and Translation

The Bank maintains its accounts in Korean Won. Transactions in foreign currencies are recorded in Korean Won based on the prevailing rate of exchange on the transaction date. The Korean Won equivalent of assets and liabilities denominated in foreign currencies are translated in these financial statements based on the basic rate (₩1,013.00 to USD 1.00 at December 31, 2005) announced by Seoul Money Brokerage Service, Ltd. or cross rates for other currencies other than U.S. Dollars at the balance sheet dates. Translation gains and losses are credited or charged to operations. Financial statements of overseas branches are translated based on the basic rate at December 31, 2005.

Application of the Statement of Korea Accounting Standards

The Korea Accounting Standard Board (KASB) under the Korea Accounting Institute (KAI) issued Statements of Korea Accounting Standards (SKAS) for achieving a set of Korean accounting standards that are internationally acceptable and comparable. The Bank has implemented SKAS No.1 (Accounting Changes and Correction of Errors) through No.15 (Investments in Associates) (excluding No.11 and No.14) since January 1, 2002. Also, the Bank has additionally implemented SKAS No.16 (Income Taxes) and No.17 (Provisions, Contingent Liabilities and Contingent Assets) prospectively since January 1, 2005.

Earning Per Share

Earning per share is not computed because the capital of the Bank does not stem from stock issuance.

Reclassification

Certain accounts of the prior period were reclassified to conform to the current period's presentation for comparative purposes; however, reclassifications had no effect on the previously reported prior period net income or shareholders' equity of the Bank.

3. DUE FROM BANKS:

(1) Due from banks in local currency and foreign currencies as of December 31, 2005 and 2004 were as follows (Won in millions):

	Financial institution	Interest (%)	2005	2004
Local currency				
Due from BOK	BOK	-	₩ 12	₩ 7
Current deposits	KEB and others	-	882	1,074
Others	Woori Bank	3.10	5,000	4,300
			5,894	5,381
Foreign currency				
Current deposits	KEB	-	7,976	24,746
Demand deposits	Mizuho Corporate Bank, Tokyo and others	3.75	28,923	36,867
Off-shore due from banks on demand	JP Morgan Chase Bank, N.A., New York and others	3.65	1,254	2,510
			38,153	64,123
			₩ 44,047	₩ 69,504

(2) No due from banks are restricted as of December 31, 2005 and 2004.

(3) Due from banks by financial institution as of December 31, 2005 and 2004 were as follows (Won in millions):

	2005			2004		
	Local currency	Foreign currencies	Total	Local currency	Foreign currencies	Total
BOK	₩ 12	₩ -	₩ 12	₩ 7	₩ -	₩ 7
Banks	5,882	38,153	44,035	5,374	63,407	68,781
Others	-	-	-	-	716	716
	₩ 5,894	₩ 38,153	₩ 44,047	₩ 5,381	₩ 64,123	₩ 69,504

(4) The maturities of due from banks as of December 31, 2005 are less than three months.

4. SECURITIES:

(1) Securities as of December 31, 2005 and 2004 were as follows (Won in millions):

	2005	2004
Available-for-sale securities:		
Marketable equity securities	₩ 2,049,572	₩ 1,327,506
Unlisted equity securities	1,055,641	495,168
Equity investment	1,276	656
Government and public bonds	1	1
Securities in foreign currencies	11,469	12,425
Beneficiary certificates	1,366	-
	3,119,325	1,835,756
Held-to-maturity securities:		
Securities in local currency	-	63,300
Securities in foreign currencies	8,104	15,317
	8,104	78,617
Securities using the equity method	87,503	91,677
	₩ 3,214,932	₩ 2,006,050

Notes to Non-Consolidated Financial Statements

For the Years Ended December 31, 2005 and 2004

(2) Marketable equity securities as of December 31, 2005 and 2004 were as follows (Won in millions):

	2005			
	No. of shares	Ownership (%)	Book value before adjustment	Fair value (Book value)
KEB	89,448,595	13.87	₩ 769,258	₩ 1,261,225
Daewoo International Corporation (*1)	10,996,400	11.58	114,363	420,612
Industrial Bank of Korea	8,501,153	2.10	61,718	149,195
SK Networks Co., Ltd. (*1)	12,891,100	5.44	86,834	131,206
SK Networks Co., Ltd. (Preferred stock) (*1)	1,077,804	9.70	59,562	67,705
Hyundai Corporation (*1)	3,094,800	4.62	2,746	18,940
Daewoo Precision Industries Co., Ltd.	23,100	0.24	398	431
Others	38,079	-	185	258
			₩ 1,095,064	₩ 2,049,572

(*1) The securities were restricted to sale as of December 31, 2005.

In 2005, 32,000,000 shares of Industrial Bank of Korea were disposed for ₩420,608 million (₩13,144 per share) and its gain on disposal of available-for-sale securities amounting to ₩260,608 million was recorded in non-operating expenses.

	2004			
	No. of shares	Ownership (%)	Book value before adjustment	Fair value (Book value)
KEB	89,448,595	13.87	₩ 565,315	₩ 769,258
Industrial Bank of Korea	40,501,153	10.00	267,307	294,038
Daewoo International Corporation (*1)	10,996,400	11.58	80,274	114,363
SK Networks Co., Ltd. (*1)	12,891,100	5.48	54,783	86,834
SK Networks Co., Ltd. (Preferred stock) (*1)	1,077,804	9.70	50,478	59,562
Hyundai Corporation (*1)	798,200	4.62	2,410	2,746
Daewoo Precision Industries Co., Ltd.	23,100	0.24	358	398
Others	50,873	-	15,042	307
			₩ 1,035,967	₩ 1,327,506

(*1) The securities were restricted to sale as of December 31, 2004.

(3) Unlisted equity securities as of December 31, 2005 and 2004 were as follows (Won in millions):

	2005			
	No. of shares	Ownership (%)	Book value before adjustment	Fair value (Book value)
Korea Highway Corp.	95,000,000	5.20	₩ 950,000	₩ 950,000
Industrial Bank of Korea (Preferred stock)	6,210,000	11.70	42,830	103,539
Korea Ship Finance	254,000	14.99	1,270	1,270
Daewoo Electronics Corp.	224,580	0.21	1,024	791
Daewoo Precision Industries Co., Ltd. (Preferred stock)	7,700	0.28	39	39
Others	41,753	-	2	2
			₩ 995,165	₩ 1,055,641

As of December 31, 2005, the Bank valued the shares of Industrial Bank of Korea (Preferred stock) and Daewoo Electronics Corp. at fair value based on the report of external evaluation agencies. The remaining shares were recorded at acquisition costs since the fair value was difficult to assess. The 50,000,000 shares of Korea Highway Corp. invested by the Government were recorded at the higher of the face value (₩10,000 per share) or the fair value at the investment date in accordance with article 4.6 of the Investment in Kind of National Property Act. The shares of Daewoo Electronics Corp. are restricted to sale as of December 31, 2005.

	2004			
	No. of shares	Ownership (%)	Book value before adjustment	Fair value (Book value)
Korea Highway Corp.	45,000,000	2.65	₩ 450,000	₩ 450,000
Industrial Bank of Korea (Preferred stock)	6,210,000	11.70	40,986	42,830
Korea Ship Finance	254,000	14.99	-	1,270
Daewoo electronics Corp.	224,580	0.21	791	1,024
Daewoo Precision Industries Co., Ltd. (Preferred stock)	7,700	0.28	39	39
KDS	27,323	0.27	13	5
Others	-	-	400	-
			₩ 492,229	₩ 495,168

As of December 31, 2004, the Bank valued the shares of Industrial Bank of Korea (Preferred stock) and Daewoo Electronics Corp. at fair value based on the report of external evaluation agencies. The remaining shares were recorded at acquisition costs since the fair value was difficult to assess. The shares of Korea Highway Corp. invested by the Government were recorded at the higher of the face value (₩10,000 per share) or the fair value at the investment date in accordance with article 4.6 of the Investment in Kind of National Property Act. The shares of Daewoo Electronics Corp. are restricted to sale as of December 31, 2004.

(4) Equity investment as of December 31, 2005 and 2004 were as follows (Won in millions):

	2005		
	Ownership (%)	Book value before adjustment	Fair value (Book value)
Korea Asset Management Corporation	0.50	₩ 1,220	₩ 1,220
Korea Money Broker Corporation	0.56	56	56
		₩ 1,276	₩ 1,276

	2004		
	Ownership (%)	Book value before adjustment	Fair value (Book value)
Korea Asset Management Corporation	0.43	₩ 600	₩ 600
Korea Money Broker Corp.	0.56	56	56
		₩ 656	₩ 656

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(5) Government and public bond in debt securities as of December 31, 2005 and 2004 were as follows (Won in millions):

	2005		
	Acquisition cost	Fair value	Book value
Government and public bond	₩ 1	₩ 1	₩ 1

	2004		
	Acquisition cost	Fair value	Book value
Government and public bond	₩ 1	₩ 1	₩ 1

(6) Securities in foreign currencies in debt securities as of December 31, 2005 and 2004 were as follows (Won in millions):

	2005		2004	
	Acquisition cost	Book value	Acquisition cost	Book value
Foreign securities	₩ 10,442	₩ 11,469	₩ 10,759	₩ 12,425

(7) Beneficiary certificates as of December 31, 2005 were as follows (Won in millions):

	Face value (Book value)	Fair value
Daewoo Motor Co., Ltd.	₩ 1,351	₩ 1,351
Daewoo Commercial Vehicles, Ltd.	15	15
	₩ 1,366	₩ 1,366

(8) Held-to-maturity securities as of December 31, 2005 and 2004 were as follows (Won in millions):

	2005		
	Acquisition cost	Adjusted by effective interest rate method	Book Value
Securities in foreign currencies	₩ 8,102	₩ 8,104	₩ 8,104

	2004		
	Acquisition cost	Adjusted by effective interest rate method	Book Value
Securities in local currency	₩ 63,300	₩ 63,300	₩ 63,300
Securities in foreign currencies	15,316	15,317	15,317
	₩ 78,616	₩ 78,617	₩ 78,617

(9) Securities using the equity method as of December 31, 2005 and 2004 were as follows (Won in millions):

	Balance sheet date	Ownership (%)	2005		
			Acquisition cost	Net asset value	Book value
KEXIM Bank UK Limited	2005.12.31	100.00	₩ 34,935	₩ 39,639	₩ 39,639
KEXIM Vietnam Leasing Co.	2005.12.31	100.00	13,169	7,140	7,140
PT. KOEXIM Mandiri Finance	2005.12.31	85.00	4,557	10,636	10,348
KEXIM Asia Limited	2005.12.31	100.00	30,390	30,368	30,376
			₩ 83,051	₩ 87,783	₩ 87,503

As of December 31, 2005, ₩3,656 million of the valuation gain on securities using the equity method and ₩198 million of the change in securities using the equity method incurred from changes in the capital accounts of the investees to be adjusted in capital adjustment were reflected to the book value of securities using the equity method in foreign currencies. The difference between the book value of the securities using the equity method and the net asset value of PT. KOEXIM Mandiri Finance, amounting to ₩(288) million is the outstanding balance of negative goodwill as of December 31, 2005. The difference between the book value of the securities using the equity method and the net asset value of KEXIM Asia Limited amounted to ₩8 million, which was unrealized gain from inter-company transactions as of December 31, 2005.

	Balance sheet date	Ownership (%)	2004			Book value
			Acquisition cost	Net asset value		
KEXIM Bank UK Limited	2004.12.31	100.00	₩ 40,180	₩ 44,045	₩	44,045
KEXIM Vietnam Leasing Co.	2004.12.31	100.00	13,562	7,035		7,035
PT. KOEXIM Mandiri Finance	2004.12.31	85.00	4,950	9,936		9,545
KEXIM Asia Limited	2004.12.31	100.00	31,296	31,052		31,052
			₩ 89,988	₩ 92,068	₩	91,677

As of December 31, 2004, ₩183 million of the valuation loss on securities using the equity method and ₩170 million of the change in securities using the equity method incurred from changes in the capital accounts of the investees to be adjusted in capital adjustment were reflected to the book value of securities using the equity method in foreign currencies. The difference between the book value of the securities using the equity method and the net asset value of PT. KOEXIM Mandiri Finance amounting to ₩391 million is the outstanding balance of negative goodwill as of December 31, 2004.

(10) Available-for-sale securities not recorded at fair value as of December 31, 2005 were as follows (Won in millions):

	Book value	Reason
Unlisted equity securities	₩ 951,311	Difficulty in calculation of the fair value
Equity investment	1,276	Difficulty in calculation of the fair value
	₩ 952,587	

(11) The securities portfolio, by county, as of December 31, 2005 and 2004 were as follows (Won in millions):

	2005				
	Available-for-sale securities	Held-to-maturity	Securities using the equity method	Total	Ratio (%)
Securities in local currency Korea	₩ 3,107,856	₩ -	₩ -	₩ 3,107,856	96.67
Securities in foreign currencies					
UK	-	-	39,639	39,639	1.24
Hong Kong	3,128	-	30,376	33,504	1.04
Indonesia	-	-	10,348	10,348	0.32
Vietnam	-	-	7,140	7,140	0.22
Korea	3,140	3,039	-	6,179	0.19
India	5,201	-	-	5,201	0.16
Malaysia	-	5,065	-	5,065	0.16
	11,469	8,104	87,503	107,076	3.33
	₩ 3,119,325	₩ 8,104	₩ 87,503	₩ 3,214,932	100.00

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For the Years Ended December 31, 2005 and 2004

	2004				
	Available -for-sale securities	Held-to- maturity	Securities using the equity method	Total	Ratio (%)
Securities in local currency Korea	₩ 1,823,330	₩ 63,300	₩ -	₩ 1,886,630	94.05
Securities in foreign currencies					
UK	-	-	44,045	44,045	2.19
Hong Kong	3,367	-	31,052	34,419	1.72
Korea	3,388	9,394	-	12,782	0.64
Indonesia	-	-	9,545	9,545	0.48
Vietnam	-	-	7,035	7,035	0.35
Malaysia	-	5,923	-	5,923	0.29
India	5,671	-	-	5,671	0.28
	12,426	15,317	91,677	119,420	5.95
	₩ 1,835,756	₩ 78,617	₩ 91,677	₩ 2,006,050	100.00

(12) Securities as of December 31, 2005 and 2004 were classified as follows (Won in millions):

	2005				
	Available -for-sale securities	Held-to- maturity	Securities using the equity method	Total	Ratio (%)
Stock and equity investment	₩ 3,106,489	₩ -	₩ 87,503	₩ 3,193,992	99.35
Fixed interest rate bonds	11,470	5,065	-	16,535	0.51
Floating interest rate bonds	-	3,039	-	3,039	0.10
Others	1,366	-	-	1,366	0.04
	₩ 3,119,325	₩ 8,104	₩ 87,503	₩ 3,214,932	100.00

	2004				
	Available -for-sale securities	Held-to- maturity	Securities using the equity method	Total	Ratio (%)
Stock and equity investment	₩ 1,823,330	₩ -	₩ 91,677	₩ 1,915,007	95.46
Fixed interest rate bonds	12,426	71,650	-	84,076	4.19
Floating interest rate bonds	-	6,967	-	6,967	0.35
	₩ 1,835,756	₩ 78,617	₩ 91,677	₩ 2,006,050	100.00

(13) Term structure of debt securities among available-for-sale securities as of December 31, 2005 was as follows (Won in millions):

Due in 1 years or less	Due after 1 year to 5 years	Due after 5 years to 10 years	Due after 10 years	Total
₩ -	₩ 11,470	₩ -	₩ -	₩ 11,470

(14) Changes in valuation gain (loss) on available-for-sale securities and securities using the equity method were as follows (Won in millions):

	Beginning balance	Increase (decrease)	Disposition	Ending balance
Securities using the equity method	₩ 170	₩ (198)	₩ -	₩ (28)
Available-for-sale securities				
Equity securities	302,765	854,778	(262,435)	895,108
Debt securities	1,304	(778)	-	526
	304,069	854,000	(262,435)	895,634
	₩ 304,239	₩ 853,802	₩ (262,435)	₩ 895,606

5. LOANS:

(1) Loans as of December 31, 2005 and 2004 were as follows (Won in millions):

	2005	2004
Loans in local currency:		
Loans for export	₩ 1,670,065	₩ 1,089,989
Loans for overseas investment	40,694	17,172
Loans for import	549,414	474,313
Others	216,982	216,983
Privately placed bonds	1,801	7,770
Debt for equity swap (*1)	469	11,952
	2,479,425	1,818,179
Loans in foreign currencies:		
Loans for export	4,454,952	3,540,519
Loans for overseas investment	2,201,779	1,494,029
Trading note rediscount loans	565,399	632,570
Loans for import	645,087	635,935
Overseas funding loans	538,448	484,521
Domestic usance bills	112,825	95,847
Privately placed bonds	35,455	41,752
Inter-bank loans	62,299	66,726
Others	238	11,887
	8,616,482	7,003,786
Valuation adjustment of loans in foreign currencies (*2)	(7,313)	20,410
	8,609,169	7,024,196
Bills bought in local currency	165,699	300,432
Bills bought in foreign currencies	637,663	384,368
Advances for customers	924	869
Call loans		
Call loans in local currency	128,000	100,800
Call loans in foreign currencies	160,561	518,769
	288,561	619,569
	₩ 12,181,441	₩ 10,147,613

(*1) Loans are expected to be swapped for equity based on the agreement of related parties. The loans are recognized at the lower of the book value of the loans or the fair value of the equities to be converted, and the difference in the values is recognized as allowances for loan losses.

(*2) Interest rate swap was contracted to hedge the changes in the fair value of loan commitment in foreign currencies resulting from the volatility in the interest rate. The loss on valuation of loan commitment, which was confirmed, was recognized as valuation adjustment of loans in foreign currencies.

Notes to Non-Consolidated Financial Statements

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(2) Loans in local currency and foreign currencies, by customer, as of December 31, 2005 and 2004 were as follows (Won in millions):

	2005			
	Loans in local currency	Loans in foreign currencies	Total	Ratio (%)
Large corporations	₩ 1,781,687	₩ 3,540,135	₩ 5,321,822	47.96
Small and mid-sizes company (*)	697,738	628,954	1,326,692	11.96
Public and others	-	4,447,393	4,447,393	40.08
	₩ 2,479,425	₩ 8,616,482	₩ 11,095,907	100.00

	2004			
	Loans in local currency	Loans in foreign currencies	Total	Ratio (%)
Large corporations	₩ 1,352,844	₩ 1,775,456	₩ 3,128,300	35.46
Small and medium corporations (*)	463,198	406,885	870,083	9.86
Public and others	2,137	4,821,445	4,823,582	54.68
	₩ 1,818,179	₩ 7,003,786	₩ 8,821,965	100.00

(*) Small and medium-sized company is described in Paragraph. 1 of Article 2 of the Small and Medium-sized Company Law.

The amount of loans in local currency and foreign currencies excluded valuation adjustment of loans in foreign currencies.

(3) Loans, by industry, as of December 31, 2005 and 2004 were as follows (Won in millions):

	2005				
	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)
Manufacturing	₩ 2,151,138	₩ 2,488,263	₩ 324,275	₩ 4,963,676	40.72
Finance and insurance	1,801	1,674,443	163,506	1,839,750	15.09
Transportation	100	2,152,187	77,125	2,229,412	18.29
Wholesale and retail	242,506	452,891	37,540	732,937	6.01
Construction	-	242,537	-	242,537	2.00
Real estate, renting and the related business	-	59,693	-	59,693	0.49
Public and others	83,880	1,546,468	490,401	2,120,749	17.40
	₩ 2,479,425	₩ 8,616,482	₩ 1,092,847	₩12,188,754	100.00

	2004				
	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)
Manufacturing	₩ 1,562,958	₩ 2,605,389	₩ 291,506	₩ 4,459,853	44.04
Finance and insurance	1,801	1,640,405	757,624	2,399,830	23.70
Transportation	-	1,151,039	195,714	1,346,753	13.30
Wholesale and retail	250,630	400,337	29,993	680,960	6.72
Construction	-	213,604	-	213,604	2.11
Real estate, renting and the related business	-	227,398	-	227,398	2.24
Public and others	2,790	765,614	30,401	798,805	7.89
	₩ 1,818,179	₩ 7,003,786	₩ 1,305,238	₩10,127,203	100.00

The amount of loans in local currency and foreign currencies excluded valuation adjustment of loans in foreign currencies.

(4) Loans, by country of borrower, as of December 31, 2005 and 2004 were as follows (Won in millions):

	2005				
	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)
Asia:					
Korea	₩ 2,479,425	₩ 2,892,254	₩ 412,250	₩ 5,783,929	47.45
Iran	-	687,867	217,811	905,678	7.43
China	-	607,959	87,642	695,601	5.71
Indonesia	-	468,173	1,477	469,650	3.85
India	-	165,725	740	166,465	1.37
Vietnam	-	138,756	13,735	152,491	1.25
Japan	-	19,778	2,495	22,273	0.18
Others	-	431,810	195,569	627,379	5.15
	2,479,425	5,412,322	931,719	8,823,466	72.39
Europe:					
Russia	-	321,820	3,728	325,548	2.67
UK	-	182,676	21,225	203,901	1.67
Germany	-	19,189	63	19,252	0.16
Greece	-	-	408	408	0.01
Others	-	1,177,546	110,120	1,287,666	10.56
	-	1,701,231	135,544	1,836,775	15.07
America:					
USA	-	428,420	21,397	449,817	3.69
Mexico	-	237,216	706	237,922	1.95
Canada	-	19,199	57	19,256	0.16
Others	-	320,839	364	321,203	2.64
	-	1,005,674	22,524	1,028,198	8.44
Africa:					
South Africa	-	2,533	254	2,787	0.02
Others	-	219,077	860	219,937	1.80
	-	221,610	1,114	222,724	1.82
Oceania:					
Australia and others	-	275,645	1,946	277,591	2.28
	₩ 2,479,425	₩ 8,616,482	₩ 1,092,847	₩ 12,188,754	100.00

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For the Years Ended December 31, 2005 and 2004

	2004				
	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)
Asia:					
Korea	₩ 1,818,179	₩ 2,745,951	₩ 692,558	₩ 5,256,688	51.91
Iran	-	449,291	259,238	708,529	7.00
China	-	499,660	100,346	600,006	5.92
Indonesia	-	309,586	4,603	314,189	3.10
Vietnam	-	153,076	18,179	171,255	1.69
India	-	75,281	614	75,895	0.75
Japan	-	10,121	-	10,121	0.10
Others	-	234,025	89,403	323,428	3.19
	1,818,179	4,476,991	1,164,941	7,460,111	73.66
Europe:					
Russia	-	296,187	-	296,187	2.92
UK	-	106,491	125,256	231,747	2.29
Greece	-	-	1,982	1,982	0.02
Others	-	1,112,367	8,543	1,120,910	11.07
	-	1,515,045	135,781	1,650,826	16.30
America:					
Mexico	-	475,522	71	475,593	4.70
USA	-	166,134	285	166,419	1.64
Canada	-	2,080	-	2,080	0.02
Others	-	223,889	70	223,959	2.21
	-	867,625	426	868,051	8.57
Africa:					
South Africa	-	7,307	-	7,307	0.07
Others	-	76,480	821	77,301	0.77
	-	83,787	821	84,608	0.84
Oceania:					
Australia and others	-	60,338	3,269	63,607	0.63
	₩ 1,818,179	₩ 7,003,786	₩ 1,305,238	₩ 10,127,203	100.00

The amount of loans in local currency and foreign currencies excluded valuation adjustment of loans in foreign currencies.

(5) The loans that were restructured due to court receiverships and compositions as of December 31, 2005 were as follows (Won in millions):

	Company	Amount	Allowances
Court receiverships and composition	Choongnam Spinning Co., Ltd and 1 other company	₩ 7,229	₩ 6,109
Individual agreements	Financial loan to Russia and 3 other companies	286,793	44,176
		₩ 294,022	₩ 50,285

(6) Changes in the present value discounts relating to the restructured loans for the year ended December 31, 2005 were as follows (Won in millions):

	Discount rate (%)	Term (year)	Beginning balance	Increase	Decrease	Ending balance
Court receiverships and composition	2.00	7	₩ 1,259	₩ -	₩ 461	₩ 798
Workout plan	-	-	44	-	44	-
Individual agreements (*1)	4.12~5.30	1~20	59,590	-	7,955	51,635
			₩ 60,893	₩ -	₩ 8,460	₩ 52,433

(*1) The overdue financial loans to Russia amounted to USD 422 million (the principal and interest amounting to USD 262 million and USD 160 million, respectively). In accordance with the bilateral agreement between the Government and Russia, the Bank restructured the remaining loans of USD 247 million, after collecting USD 52 million of the loans and exempting the interest of relevant loans amounting to USD 123 million. As of December 31, 2005, the amounts of restructured financial loans to Russia and their present value discounts were USD 225,385 million and USD 41,293 million, respectively.

(7) Term structure of loans as of December 31, 2005 were as follows (Won in millions):

	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)
Due in 3 months or less	₩ 664,840	₩ 1,157,258	₩ 754,010	₩ 2,576,108	21.14
Due after 3 months to 6 months	796,671	847,875	105,208	1,749,754	14.36
Due after 6 months to 1 year	635,363	824,969	72,722	1,533,054	12.58
Due after 1 year to 2 years	22,907	820,966	12,044	855,917	7.02
Due after 2 years to 3 years	289,581	553,532	11,888	855,001	7.01
Due after 3 years to 4 years	61,512	463,749	65,237	590,498	4.84
Due after 4 years to 5 years	8,551	242,223	-	250,774	2.06
Due after 5 years	-	3,705,910	71,738	3,777,648	30.99
	₩ 2,479,425	₩ 8,616,482	₩ 1,092,847	₩ 12,188,754	100.00

6. ALLOWANCES FOR LOAN LOSSES:

(1) The allowances for loan losses as of December 31, 2005 and 2004 were as follows (Won in millions):

	2005	2004
Loans in local currency	₩ 73,049	₩ 160,324
Loans in foreign currencies	451,649	252,403
Bills bought in local currency and foreign currencies	45,376	44,204
Advances for customers	87	13
Suspense payment on credit	-	1
	₩ 570,161	₩ 456,945

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(2) As of December 31, 2005, loan balances and allowances for loan losses by credit risk classification were as follows (Won in millions):

	2005					
	Loan balance classification					Total
	Normal	Pre-cautionary	Substandard	Doubtful	Estimated loss	
Loans in local currency	₩ 2,245,400	₩ 228,158	₩ 712	₩ 4,437	₩ 718	₩ 2,479,425
Loans in foreign currencies	8,203,641	306,719	19,598	17,303	6,922	8,554,183
Bills bought in local currency and foreign currencies	724,598	57,922	15,703	5,139	-	803,362
Advances for customers	843	-	-	-	81	924
	₩11,174,482	₩ 592,799	₩ 36,013	₩ 26,879	₩ 7,721	₩11,837,894

The present value discounts were not reflected to the amount of loans stated above. Inter-bank loans of ₩62,299 million and call loans of ₩288,561 million were excluded because these were classified as normal. The valuation adjustment of loans in foreign currencies of ₩(7,313) million was also excluded.

	Loan balance classification					
	Normal	Pre-cautionary	Substandard	Doubtful	Estimated loss	Total
Loans in local currency	₩ 33,187	₩ 34,648	₩ 285	₩ 4,211	₩ 718	₩ 73,049
Loans in foreign currencies	330,910	89,331	8,165	16,321	6,922	451,649
Bills bought in local currency and foreign currencies	14,995	8,136	17,399	4,846	-	45,376
Advances for customers	6	-	-	-	81	87
	₩ 379,098	₩ 132,115	₩ 25,849	₩ 25,378	₩ 7,721	₩ 570,161

	2004					
	Loan balance classification					Total
	Normal	Pre-cautionary	Substandard	Doubtful	Estimated loss	
Loans in local currency	₩ 1,561,883	₩ 7,222	₩ 225,145	₩ 15,130	₩ 8,799	₩ 1,818,179
Loans in foreign currencies	6,579,667	308,955	6,807	40,650	981	6,937,060
Bills bought in local currency and foreign currencies	602,593	59,683	17,229	-	5,295	684,800
Advances for customers	869	-	-	-	-	869
Suspense payment on credit	-	-	-	-	1	1
	₩ 8,745,012	₩ 375,860	₩ 249,181	₩ 55,780	₩ 15,076	₩ 9,440,909

The present value discounts were not reflected to the amount of loans stated above. Inter-bank loans of ₩66,726 million and call loans of ₩619,569 million were excluded because these were classified as normal. The valuation adjustment of loans in foreign currencies of ₩20,410 million was also excluded.

	Allowance for loan losses classification					
	Normal	Pre-cautionary	Substandard	Doubtful	Estimated loss	Total
Loans in local currency	₩ 25,892	₩ 1,350	₩ 110,208	₩ 14,075	₩ 8,799	₩ 160,324
Loans in foreign currencies	114,502	95,518	2,887	38,515	981	252,403
Bills bought in local currency and foreign currencies	10,128	20,339	8,442	-	5,295	44,204
Advances for customers	13	-	-	-	-	13
Suspense payment on credit	-	-	-	-	1	1
	₩ 150,535	₩ 117,207	₩ 121,537	₩ 52,590	₩ 15,076	₩ 456,945

(3) Changes in allowances for loan losses for the year ended December 31, 2005 and 2004 were as follows (Won in millions):

	2005	2004
Beginning balance	₩ 456,945	₩ 487,259
Bad debts expenses	140,374	-
Reversal of loan losses	-	(57,057)
Write-off	(12,948)	-
Debt for equity swap	(3,641)	(17,560)
Increase in present value discounts	-	49,259
Decrease in present value discounts	(8,460)	(8,917)
Changes in exchange rates and others (*)	(2,109)	3,961
Ending balance	₩ 570,161	₩ 456,945

(*) Changes in exchange rates and others were mainly derived from the movements in foreign currency translation on allowances for loan losses and recovery of written-off loans.

(4) Percentage of the allowance for loan losses to loans subject to allowance for loan losses for the previous 3 years were as follows (Won in millions):

	2005	2004	2003
Loans subject to allowance for possible loan losses	₩ 11,837,894	₩ 9,440,909	₩ 8,519,910
Allowances for loan losses	570,161	456,945	487,229
Percentage (%)	4.82	4.84	5.72

7. FIXED ASSETS:

(1) Tangible assets and the related accumulated depreciation as of December 31, 2005 and 2004 were as follows (Won in millions):

	2005			2004		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land	₩ 4,484	₩ -	₩ 4,484	₩ 4,484	₩ -	₩ 4,484
Buildings	42,976	11,300	31,676	42,998	10,081	32,917
Vehicles	1,571	1,028	543	1,289	727	562
Equipments	12,901	9,034	3,867	11,052	7,613	3,439
	₩ 61,932	₩ 21,362	₩ 40,570	₩ 59,823	₩ 18,421	₩ 41,402

(2) The published value of land was ₩69,060 million and ₩58,888 million as of December 31, 2005 and 2004, respectively, based on the Laws on Disclosure of Land Price and Valuation of Land.

(3) Changes in book value of tangible assets for the year ended December 31, 2005 were as follows (Won in millions):

	Beginning balance	Acquisition	Disposal	Depreciation	Ending balance
Land	₩ 4,484	₩ -	₩ -	₩ -	₩ 4,484
Buildings	32,917	282	28	1,495	31,676
Vehicles	562	376	-	395	543
Equipments	3,439	2,598	15	2,155	3,867
	₩ 41,402	₩ 3,256	₩ 43	₩ 4,045	₩ 40,570

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For the Years Ended December 31, 2005 and 2004

(4) Tangible assets, which have been insured as of December 31, 2005 and 2004, were as follows (Won in millions):

	Insurance company	2005		2004	
		Book value	Insured amount	Book value	Insured amount
Buildings	LG Fire & Marine Insurance Co., Ltd. & others	₩ 31,676	₩ 28,711	₩ 32,917	₩ 31,684
Equipments	LG Fire & Marine Insurance Co., Ltd. & others	3,867	2,996	3,439	2,514
		₩ 35,543	₩ 31,707	₩ 36,356	₩ 34,198

In addition, the Bank's head office building and the Global Human Resource Center are covered by gas insurance policy (₩60 million per employee and a maximum coverage of ₩300 million per accident) and all vehicles are covered by the comprehensive auto insurances.

(5) Intangible assets as of December 31, 2005 were as follows (Won in millions):

	Development cost	Software	Total
Acquisition cost	₩ 8,082	₩ 605	₩ 8,687
Accumulated amortization	3,897	97	3,994
	₩ 4,185	₩ 508	₩ 4,693

(6) Changes in intangible assets for the year ended December 31, 2005 were as follows (Won in millions):

	Development cost	Software	Total
Beginning balance	₩ 5,455	₩ 253	₩ 5,708
Increase	316	325	641
Amortization	1,586	70	1,656
Ending balance	₩ 4,185	₩ 508	₩ 4,693

8. OTHER ASSETS:

(1) Other assets as of December 31, 2005 and 2004 were as follows (Won in millions):

	2005	2004
Guarantee deposits	₩ 20,360	₩ 17,945
Accounts receivable	567	583
Accrued income	139,915	99,646
Prepaid expenses	46	50
Deferred income tax assets (Note 19)	-	164,254
Financial derivative instruments (Note 15)	58,114	60,469
Sundry assets	21,241	14,344
	₩ 240,243	₩ 357,291

(2) Sundry assets as of December 31, 2005 and 2004 were as follows (Won in millions):

	2005	2004
Open account from swap transaction	₩ 8,603	₩ 2,335
Other loans	7,941	7,478
Other suspense payments	679	485
Suspense payments on credit	7	1
Others	4,011	4,045
	₩ 21,241	₩ 14,344

9. BORROWINGS:

(1) Borrowings as of December 31, 2005 and 2004 were as follows (Won in millions):

	Financial institution	Interest rate (%)	2005	2004
Foreign currencies:				
Borrowings from banks	The Bank of Tokyo-Mitsubishi, Ltd and others	Libor + 0.315 ~ 0.48	₩ 101,300	₩ 501,191
CP	UBS AG	2.49	80,356	-
Off-shore borrowings	Sumitomo Mitsui Banking and others	2.88 ~ 3.0	51,594	91,086
Other borrowings	Overseas banks	0.15 ~ 0.2	112,825	95,847
			346,075	688,124
Gain on valuation of fair value hedged items (current year portion)			(9,433)	(2,116)
Loss on valuation of fair value hedged items (prior year portion)			10,841	5,989
			347,483	691,997
Call money				
Local currency	Woori Bank and others	3.15~3.35	-	300,000
Foreign currencies	KEB and others	2.48~4.74	303,766	106,594
			303,766	406,594
			₩ 651,249	₩ 1,098,591

(2) Borrowings from financial institutions as of December 31, 2005 and 2004 were as follows (Won in millions):

	2005			2004		
	Foreign currencies	Call money	Total	Foreign currencies	Call money	Total
Banks	₩ 265,719	₩ 303,766	₩ 569,485	₩ 688,124	₩ 200,000	₩ 888,124
Others	80,356	-	80,356	-	206,594	206,594
	₩ 346,075	₩ 303,766	₩ 649,841	₩ 688,124	₩ 406,594	₩ 1,094,718

(3) Term structure of borrowings as of December 31, 2005 were as follows (Won in millions):

	Due in 3 months or less	Due after 3 months to 6 months	Due after 6 months to 1 year	Due after 1 year to 3 years	Total
Borrowings in foreign currencies	₩ 163,749	₩ 20,482	₩ 136,047	₩ 25,797	₩ 346,075
Call money in foreign currencies	303,766	-	-	-	303,766
	₩ 467,515	₩ 20,482	₩ 136,047	₩ 25,797	₩ 649,841

Notes to Non-Consolidated Financial Statements

For the Years Ended December 31, 2005 and 2004

10. DEBENTURES:

(1) Debentures as of December 31, 2005 and 2004 were as follows (Won in millions):

	Interest rate (%)	2005	2004
Local currency:			
Fixed rate debentures in local currency	3.69 ~ 3.92	₩ 500,000	₩ -
Discount on debentures		(4,674)	-
		495,326	-
Foreign currencies:			
Floating rates debentures in foreign currencies	0.19 ~ 4.60	1,556,881	1,011,994
Fixed rates debentures in foreign currencies	2.37 ~ 4.63	6,662,773	5,827,649
		8,219,654	6,839,643
Gain on valuation of fair value hedged items (current year portion)		(49,760)	(22,925)
Gain on valuation of fair value hedged items (prior year portion)		(41,823)	(16,655)
		8,128,071	6,800,063
Premiums on debentures		2,152	3,336
Discounts on debentures		(55,013)	(59,398)
		8,075,210	6,744,001
		₩ 8,570,536	₩ 6,744,001

(2) Term structure of debentures as of December 31, 2005 were as follows (Won in millions):

	Due in 3 months or less	Due after 3 months to 6 months	Due after 6 months to 1 year	Due after 1 year to 3 years	Due after 3 years	Total
Debentures in local currency	₩ 260,000	₩ 240,000	₩ -	₩ -	₩ -	₩ 500,000
Debentures in foreign currencies	606,762	335,482	829,130	2,603,724	3,844,556	8,219,654
	₩ 866,762	₩ 575,482	₩ 829,130	₩ 2,603,724	₩ 3,844,556	₩ 8,719,654

11. OTHER LIABILITIES:

(1) Other liabilities as of December 31, 2005 and 2004 were as follows (Won in millions):

	2005	2004
Accrued severance benefits (Notes 2 and 13)	₩ 22,950	₩ 18,379
Less: Transfer to National Pension (Note 13)	(10)	(13)
Allowance for possible losses on acceptances and guarantees (Note 12)	227,670	249,260
Other allowances (Note 12)	27,597	27,565
Foreign exchange settlement account-credit	99,225	183,168
Accounts payable	89,493	22,207
Accrued expenses	157,806	112,844
Deferred income tax liabilities (Note 19)	157,562	-
Unearned revenues	123,454	90,067
Guarantees deposits received	100	100
Financial derivatives liabilities (Note 15)	137,735	70,869
Sundry liabilities	12,010	9,505
	₩ 1,055,592	₩ 783,951

(2) Sundry liabilities as of December 31, 2005 and 2004 were as follows (Won in millions):

	2005	2004
Suspense receipts	₩ 7,902	₩ 4,998
Taxes withheld	1,419	1,920
Option Premium (*1)	2,588	2,587
Others	101	-
	₩ 12,010	₩ 9,505

(*1) The Bank made contract call option with LSF-KEB Holding, SCA at the disposition of shares of Korea Exchange Bank, whose fair value was recognized as other liability at the date of disposition.

12. ACCEPTANCES AND GUARANTEES AND ALLOWANCE FOR POSSIBLE LOSSES:

(1) Acceptances and guarantees as of December 31, 2005 and 2004 were as follows (Won in millions):

	2005	2004
Confirmed acceptances and guarantees		
Local currency:		
Guarantees for performance of contracts	₩ 15,982	₩ 16,997
Guarantees for repayment of advances	17,001	17,577
Others	3,264	3,880
	36,247	38,454
Foreign currencies:		
Guarantees for performance of contracts	2,216,338	2,062,103
Guarantees for repayment of advances	16,904,151	15,554,008
Acceptances for letters of guarantee for importers letter	5,691	12,510
Acceptances on import credit memorandum	105,153	26,023
Others	847,950	814,996
	20,079,283	18,469,640
	20,115,530	18,508,094
Unconfirmed acceptances and guarantees		
Letters of credit	67,535	172,159
Others	16,355,357	11,657,266
	16,422,892	11,829,425
	₩ 36,538,422	₩ 30,337,519

Notes to Non-Consolidated Financial Statements

For the Years Ended December 31, 2005 and 2004

(2) Confirmed and unconfirmed acceptances and guarantees by classification and allowances for possible losses on confirmed and unconfirmed acceptances and guarantees as of December 31, 2005 and 2004 were as follows (Won in millions):

	2005			2004		
	Acceptances and guarantees	Allowance	Ratio (%)	Acceptances and guarantees	Allowance	Ratio (%)
Confirmed acceptances and guarantees:						
Normal	₩ 19,958,032	₩ 156,991	0.79	₩ 18,273,879	₩ 214,128	1.17
Precautionary	157,498	12,295	7.81	234,215	35,132	15.00
	20,115,530	169,286	0.84	18,508,094	249,260	1.35
Unconfirmed acceptances and guarantees (*):						
Normal	16,422,812	58,376	0.36	-	-	-
Precautionary	80	8	10.00	-	-	-
	16,422,892	58,384	0.36	-	-	-
	₩ 36,538,422	₩ 227,670	0.62	₩ 18,508,094	₩ 249,260	1.35

(*) In 2005, the Bank started to provide allowance for possible losses on unconfirmed acceptances and guarantees at the same rate of allowance for loan losses applicable to the related borrowers, also considering the credit adjustment rates to off-balance sheet items announced by FSS [See Note 2 (4)].

(3) Changes in allowances for possible losses on confirmed and unconfirmed acceptances and guarantees for the years ended December 31, 2005 and 2004 were as follows (Won in millions):

	2005	2004
Beginning balance	₩ 249,260	₩ 91,430
Provision (reversal) of allowance for possible losses	(11,366)	181,034
Changes in foreign exchange rates, etc.	(10,224)	(23,204)
Ending balance	₩ 227,670	₩ 249,260

(4) Acceptances and guarantees, by industry, as of December 31, 2005 and 2004 were as follows (Won in millions):

	2005					
	Confirmed		Unconfirmed		Total	
	Acceptances and guarantees	Ratio (%)	Acceptances and guarantees	Ratio (%)	Acceptances and guarantees	Ratio (%)
Manufacturing	₩ 15,621,818	77.66	₩ 13,043,186	79.42	₩ 28,665,004	78.45
Construction	1,290,057	6.41	22,525	0.14	1,312,582	3.59
Finance and insurance	272,632	1.36	104,110	0.63	376,742	1.03
Wholesale and retail	108,603	0.54	14,477	0.09	123,080	0.34
Services	110,722	0.55	4,333	0.03	115,055	0.31
Others	2,711,698	13.48	3,234,261	19.69	5,945,959	16.28
	₩ 20,115,530	100.00	₩ 16,422,892	100.00	₩ 36,538,422	100.00

	2004					
	Confirmed		Unconfirmed		Total	
	Acceptances and guarantees	Ratio (%)	Acceptances and guarantees	Ratio (%)	Acceptances and guarantees	Ratio (%)
Manufacturing	₩ 16,641,239	89.91	₩ 11,438,431	96.69	₩ 28,079,670	92.56
Construction	1,247,231	6.74	82,491	0.70	1,329,722	4.38
Wholesale and retail	317,202	1.71	23,137	0.20	340,339	1.12
Services	130,668	0.71	-	-	130,668	0.43
Finance and insurance	162,793	0.88	97,112	0.82	259,905	0.86
Others	8,961	0.05	188,254	1.59	197,215	0.65
	₩ 18,508,094	100.00	₩ 11,829,425	100.00	₩ 30,337,519	100.00

(5) Acceptances and guarantees, by country of borrower, as of December 31, 2005 and 2004 were as follows (Won in millions):

	2005					
	Confirmed		Unconfirmed		Total	
	Acceptances and guarantees	Ratio (%)	Acceptances and guarantees	Ratio (%)	Acceptances and guarantees	Ratio (%)
Asia:						
Korea	₩ 19,676,749	97.82	₩ 16,164,790	98.43	₩ 35,841,539	98.09
India	25,436	0.12	153,992	0.94	179,428	0.49
Iran	49,836	0.25	737	-	50,573	0.14
Japan	25,534	0.13	-	-	25,534	0.07
Vietnam	-	-	2,628	0.02	2,628	0.01
Russia	2,139	0.01	-	-	2,139	0.01
	19,779,694	98.33	16,322,147	99.39	36,101,841	98.81
America:						
Mexico	110,475	0.55	-	-	110,475	0.30
USA	51,691	0.26	55,692	0.34	107,383	0.29
Dominica	5,798	0.03	-	-	5,798	0.02
	167,964	0.84	55,692	0.34	223,656	0.61
Europe:						
UK	128,761	0.64	11,652	0.07	140,413	0.38
France	14,670	0.07	33,401	0.20	48,071	0.13
Germany	24,441	0.12	-	-	24,441	0.07
	167,872	0.83	45,053	0.27	212,925	0.58
	₩ 20,115,530	100.00	₩ 16,422,892	100.00	₩ 36,538,422	100.00

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For the Years Ended December 31, 2005 and 2004

	2004					
	Confirmed		Unconfirmed		Total	
	Acceptances and guarantees	Ratio (%)	Acceptances and guarantees	Ratio (%)	Acceptances and guarantees	Ratio (%)
Asia:						
Korea	₩ 18,151,468	98.07	₩ 11,541,756	97.57	₩ 29,693,224	97.88
India	-	-	184,884	1.56	184,884	0.61
Japan	25,411	0.14	58,088	0.49	83,499	0.28
Iran	43,440	0.23	8,671	0.07	52,111	0.17
Vietnam	-	-	489	0.01	489	-
Others	857	0.01	-	-	857	-
	18,221,176	98.45	11,793,888	99.70	30,015,064	98.94
America:						
Mexico	161,324	0.87	-	-	161,324	0.53
Dominica	8,960	0.05	-	-	8,960	0.03
	170,284	0.92	-	-	170,284	0.56
Europe:						
UK	93,942	0.51	29,864	0.25	123,806	0.41
Poland	22,692	0.12	5,673	0.05	28,365	0.09
	116,634	0.63	35,537	0.30	152,171	0.50
	₩ 18,508,094	100.00	₩ 11,829,425	100.00	₩ 30,337,519	100.00

(6) Percentages of allowances for possible losses to acceptances and guarantees subject to allowances for possible losses for the previous 3 years were as follows (Won in millions):

	2005	2004	2003
Acceptances and guarantees subject to allowances for possible losses	₩ 36,538,422	₩ 18,508,094	₩ 17,527,992
Allowances	227,670	249,260	91,430
Percentage (%)	0.62	1.35	0.52

(*) The Bank did not provide allowances for possible losses on unconfirmed acceptances and guarantees up to 2004. Accordingly, those balances as of December 31, 2004 and 2003 were not included in the above table.

(7) Unused credit line of loan commitments and other allowances for on credit line of loan commitments as of December 31, 2005 were as follows (Won in millions):

Unused credit line of loan commitments	Other allowances	Ratio (%)
₩ 7,536,144	₩ 27,597	0.37

The Bank started to apply the rate of allowances for possible losses on loans, which is classified as normal and of which maturity is less than 1 year to unused credit line of loan commitments pursuant to the guideline of allowances for possible losses to off-balance sheet items in 2005. The allowances for possible losses were recognized considering the credit adjustment rates to off-balance sheet items announced by FSS and recorded as other allowances as of December 31, 2005 [See Note 2 (4)].

13. ACCRUED SEVERANCE BENEFITS:

Changes in accrued severance benefits for the years ended December 31, 2005 and 2004 were as follows (Won in millions):

	2005			
	Beginning balance	Provision	Payment	Ending balance
Accrued severance benefits	₩ 18,379	₩ 6,900	₩ 2,329	₩ 22,950
National Pension	(13)	-	(3)	(10)
	₩ 18,366	₩ 6,900	₩ 2,326	₩ 22,940

	2004			
	Beginning balance	Provision	Payment	Ending balance
Accrued severance benefits	₩ 13,810	₩ 5,801	₩ 1,232	₩ 18,379
National Pension	(15)	-	(2)	(13)
	₩ 13,795	₩ 5,801	₩ 1,230	₩ 18,366

14. SHAREHOLDERS' EQUITY:

(1) Capital stock

The authorized capital stock of the Bank as of December 31, 2005 was ₩4,000,000 million and the capital stock amounted to ₩3,295,755 million and ₩2,775,755 million as of December 31, 2005 and 2004, respectively. The Bank increased the capital stock by ₩10,000 million, ₩500,000 million and ₩10,000 million from the Government on April 4, April 25 and September 27, 2005, respectively. The Bank does not issue share certificates.

(2) Retained earnings

1) Legal reserve

In accordance with the EXIM Bank Act, the Bank reserves 20 percent of unappropriated retained earnings as the legal reserve, until the accumulated reserve equals to its capital stock.

2) Voluntary reserve

The Bank appropriates the remaining balance, net of legal reserve and dividend payments, to voluntary reserve.

3) Cash dividends

Cash dividends to shareholders were declared for the years ended December 31, 2005 and 2004 as follows (Won in millions):

	2005	2004
The Government	₩ 7,969	₩ 812
The Bank of Korea	5,126	652
The Korea Development Bank	676	86
	₩ 13,771	₩ 1,550

The rate of cash dividends to net income is 6.13% for the year ended December 31, 2005. The cash dividends are calculated on the basis of average balances of investments by shareholders for the year ended December 31, 2005 and 2004.

Notes to Non-Consolidated Financial Statements

For the Years Ended December 31, 2005 and 2004

15. CONTINGENCIES AND COMMITMENTS:

(1) Other commitments as of December 31, 2005 were as follows (Won in millions):

	Amount
Unused credit line of loan commitments	₩ 7,536,144
Written-off loans	154,127
	₩ 7,690,271

(2) Pending litigations.

As of December 31, 2005, the number of lawsuits filed by the Bank were seven, with an aggregate claims of ₩99,771 million. On the other hand, the Bank also faced 1 pending legal action as defendant involving aggregate damages of ₩1,075 million. The Bank believes that the actions against the Bank are without merit and that the ultimate liability, if any, will not materially affect the Bank's financial position.

The pending litigation relating to disposition of proprietorship and the disclaimer of credit of Glowin Co., Ltd. was filed by the bankruptcy trustee of Glowin Co., Ltd. (The decision on the first trial was in favor to the Bank and is currently on the second trial).

(3) The Bank sold 30,865,792 shares of Korea Exchange Bank ("KEB") to LSF-KEB Holdings, SCA ("LSF") on October 30, 2003 at ₩5,400 per share. According to the call option contract derived from the disposition of the shares, LSF has the right to purchase 49,134,208 shares additionally from the Bank's remaining shares of KEB within 3 years from the transaction date at a determined price. The effect of the call option on the financial statements of the Bank cannot be presently determined and accordingly, no adjustments related to such uncertainties were recorded in the accompanying financial statements as of December 31, 2005.

In addition, after two years from the disposition date, if LSF sell its shares of KEB with certain conditions of mutual agreements were satisfied, both LSF and the Bank may have the rights and obligations to purchase and sell the shares of KEB on same conditions to each others, respectively.

(4) Details of transactions of derivatives instruments were as follows as of and for the years ended December 31, 2005 and 2004 (Won in millions):

	2005					
	Outstanding contract amount		Gain (loss) on valuation (S/O)		Gain (loss) on	
	Trading	Hedging	Trading	Hedging	Valuation (B/S)	
Currency forwards	₩ 109,493	₩ -	₩ 1,350	₩ -	₩ 1,350	
Currency swaps	1,036,953	51,594	(33,933)	(9,685)	9,816	
Interest rate swaps	1,140,025	3,911,002	609	(26,533)	(90,787)	
	₩ 2,286,471	₩ 3,962,596	₩ (31,974)	₩ (36,218)	₩ (79,621)	

	2004					
	Outstanding contract amount		Gain (loss) on valuation (S/O)		Gain (loss) on	
	Trading	Hedging	Trading	Hedging	Valuation (B/S)	
Currency swaps	₩ 943,500	₩ 192,293	₩ 46,297	₩ 1,952	₩ 57,145	
Interest rate swaps	822,514	4,626,917	(3,005)	(39,481)	(67,545)	
	₩ 1,766,014	₩ 4,819,210	₩ 43,292	₩ (37,529)	₩ (10,400)	

The Bank holds derivative instruments for its trading activities and hedging activities, to manage the interest rate risk and foreign currencies exchange risk derived from loans, debentures and borrowings. Outstanding contractual amount and gain or loss on valuation for hedging purposes included in the table resulted from both derivative instruments accounted for using hedge accounting methods pursuant to the Interpretations on financial Accounting Standards 53-70.

Hedged items, to which fair value hedge accounting is applied, consist of loans, debentures and borrowings. Resulting from valuation of hedged items accounted for using fair value hedge accounting, loss on hedging relating to loans of ₩23,504 million and gain on hedging relating to debentures of ₩49,760 million and relating to borrowings of ₩9,433 million were recognized for the year ended December 31, 2005.

16. INTEREST INCOME AND INTEREST EXPENSES:

The average balance of the interest bearing assets and liabilities, and the related interest income and expenses as of and for the years ended December 31, 2005 and 2004 were as follows (Won in millions):

	2005		2004	
	Average balance	Interest incomes/expenses	Average balance	Interest incomes/expenses
Interest incomes bearing assets				
Loans	₩ 11,314,592	₩ 488,789	₩ 10,618,758	₩ 406,399
Due from banks	41,555	1,949	91,703	2,145
Securities	48,157	2,011	55,545	2,603
	₩ 11,404,304	₩ 492,749	₩ 10,766,006	₩ 411,147
Interest expenses bearing liabilities				
Borrowings	₩ 975,153	₩ 24,678	₩ 2,285,251	₩ 39,815
Debentures	8,222,874	367,651	6,155,018	279,464
	₩ 9,198,027	₩ 392,329	₩ 8,440,269	₩ 319,279

Loans included call loans and borrowings included call money.

17. GENERAL AND ADMINISTRATIVE EXPENSES:

General and administrative expenses for the years ended December 31 2005 and 2004 were as follows (Won in millions):

	2005	2004
Financial management expenses:		
Salaries and wages	₩ 53,154	₩ 46,945
Others	25,968	23,641
	79,122	70,586
Economic cooperation management expenses	684	694
Other general and administrative expenses:		
Severance benefits (Note 13)	6,900	5,801
Depreciation (Note 7)	4,045	3,643
Amortization expense of intangible assets (Note 7)	1,656	1,469
Taxes and dues	3,452	937
Fund contributions	3,724	-
	19,777	11,850
	₩ 99,583	₩ 83,130

Notes to Non-Consolidated Financial Statements

For the Years Ended December 31, 2005 and 2004

18. NON-OPERATING INCOME AND EXPENSES:

Non-operating income and expenses for the years ended December 31, 2005 and 2004 were as follows (Won in millions):

	2005	2004
Non-operating income:		
Gain on disposal of tangible assets	₩ 21	₩ 158
Rental income	19	10
Gain on disposal of available-for-sale securities (Note 4)	260,689	10,238
Gain on valuation of securities using the equity method (Note 4)	3,656	-
Others	25,931	23,480
	₩ 290,316	₩ 33,886
Non-operating expenses:		
Loss on disposal of tangible assets	₩ 73	₩ 688
Loss on disposal of available-for-sale securities	-	660
Loss on valuation of securities using the equity method (Note 4)	-	183
Others	1,062	9,506
	₩ 1,135	₩ 11,037

19. INCOME TAX EXPENSE:

(1) The differences between net income before income tax and taxable income pursuant to Korean Corporate Income Tax Law for the year ended December 31, 2005 were as follows (Won in millions):

	Amount
I. Net income before income tax	₩ 306,275
II. Non temporary differences:	
(1) Entertainment expenses	78
(2) Taxes and dues	2,496
(3) Interest paid	200
(4) Dividend earned	(1,807)
(5) Others	(4,215)
	(3,248)
III. Temporary differences:	
1. Additions:	
(1) Loss (gain) on fair value hedges	56,116
(2) Gain on valuation of derivative instruments (prior period)	60,469
(3) Loss on valuation of derivative instruments (current period)	137,735
(4) Allowance for loan losses (current period)	279,814
(5) Allowance for possible losses of confirmed and unconfirmed acceptances and guarantees (current period)	227,726
(6) Other allowances (current period)	27,597
(7) Allowance for severance benefits	2,745
(8) Depreciation	360
(9) Long-term unearned income	4,776
(10) Others	182
	₩ 797,520

(Continued)

	Amount
2. Deductions:	
(1) Gain (loss) on fair value hedges	₩ 82,863
(2) Loss on valuation of derivative instruments (prior period)	70,869
(3) Gain on valuation of derivative instruments (current period)	58,114
(4) Allowance for loan losses (prior period)	207,234
(5) Allowance for possible losses of confirmed acceptances and guarantees (prior period)	249,260
(6) Other allowances (prior period)	27,565
(7) Long-term unearned income	4,463
(8) Gain on valuation of securities using the equity method	3,656
(9) Depreciation	247
(10) Others	367
	704,638
IV. Taxable income	₩ 395,909

(2) Changes in accumulated temporary difference for the year ended December 31, 2005 were as follows (Won in millions):

	Beginning(*)	Decrease	Increase	Ending
Loss(gain) on fair value hedges	₩ (56,116)	₩ (56,116)	₩ (82,863)	₩ (82,863)
Allowance for severance benefits	11,015	-	2,745	13,760
Depreciation	1,110	247	360	1,223
Allowance for loan losses	207,234	207,234	279,814	279,814
Gain on valuation of securities using the equity method	(10,456)	-	(3,656)	(14,112)
Loss on valuation of derivative instruments	70,869	70,869	137,735	137,735
Gain on valuation of derivative instruments	(60,469)	(60,469)	(58,114)	(58,114)
Convertible stock	109,630	-	-	109,630
Allowance for possible losses of confirmed and unconfirmed acceptances and guarantees	249,260	249,260	227,726	227,726
Long-term unearned income	8,860	4,463	4,776	9,173
Other allowances	27,565	27,565	27,597	27,597
Others	10,982	367	182	10,797
	₩ 569,484	₩ 443,420	₩ 536,302	₩ 662,366
Statutory tax rate	27.5%			27.5%
Tax effect	156,608			182,151
Tax reconciliation effect for prior period	7,646			-
Deferred tax effect from available-for-sale securities	-			(339,713)
Deferred tax assets (liabilities)	₩ 164,254			₩ (157,562)

Difference between closing statements and statement of tax reconciliation in 2004 was reflected on the current period. The beginning balance of accumulated temporary difference was adjusted on the prior-period final income tax.

Notes to Non-Consolidated Financial Statements

For the Years Ended December 31, 2005 and 2004

(3) Income tax expense for the years ended December 31, 2005 and 2004 was as follows (Won in millions):

	2005	2004
Income tax currently payable	₩ 108,831	₩ 86,477
Changes in deferred tax assets(liabilities)	321,816	(57,657)
Changes due to adjustment for the prior-period final income tax	(7,646)	-
Changes due to claim for income tax return	(1,504)	-
Income tax expense charged to capital	(339,713)	-
	₩ 81,784	₩ 28,820

(4) The statutory income tax rates applicable to the Bank are 27.5% and 29.7% for the years ended December 31, 2005 and 2004, respectively. However, due to tax adjustments, the effective tax rates for the years ended December 31, 2005 and 2004 were 26.7% and 27.1%, respectively.

20. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES:

(1) Significant assets denominated in foreign currencies as of December 31, 2005 and 2004 were as follows:

	2005		2004	
	USD in thousands	Korean won in millions	USD in thousands	Korean won in millions
Due from banks	USD 37,663	₩ 38,153	USD 61,432	₩ 64,123
Available-for-sale securities	11,322	11,469	11,904	12,425
Held-to-maturity securities	8,000	8,104	14,674	15,317
Securities using the equity method	86,379	87,503	87,830	91,677
Loans	8,505,905	8,616,482	6,709,893	7,003,786
Bills bought in foreign currencies	629,480	637,663	368,239	384,368
Advance for customers	912	924	832	869
Call loans	158,500	160,561	497,000	518,769
	USD 9,438,161	₩ 9,560,859	USD 7,751,804	₩ 8,091,334

(2) Significant liabilities denominated in foreign currencies as of December 31, 2005 and 2004 were as follows:

	2005		2004	
	USD in thousands	Korean won in millions	USD in thousands	Korean won in millions
Borrowings	USD 341,634	₩ 346,075	USD 659,248	₩ 688,124
Call money	299,868	303,766	102,121	106,594
Debentures	8,114,170	8,219,654	6,552,637	6,839,643
	USD 8,755,672	₩ 8,869,495	USD 7,314,006	₩ 7,634,361

Foreign currencies, other than U.S. Dollar, were translated into U.S. dollar amounts at the exchange rates announced by Seoul Money Brokerage Services, Ltd. at December 31, 2005.

21. RELATED PARTY TRANSACTIONS:

(1) Related parties as of December 31, 2005 were as follows (Won in millions):

	Capital	No. of shares	Ownership (%)
KEXIM Bank UK Limited	34,935	149,999	100.00
KEXIM Vietnam Leasing Co.	13,169	400,000	100.00
PT. KOEXIM Mandiri Finance	4,557	Limited company	85.00
KEXIM Asia Limited	30,390	Limited company	100.00

(2) Significant balances of assets and liabilities, and incomes and expenses from significant transactions with related parties as of and for the year ended December 31, 2005 were as follows (Won in millions):

	(Assets)			
	Loans in foreign currencies		Call loans	Total
KEXIM Bank UK Limited	₩	91,170	₩ 15,195	₩ 106,365
KEXIM Vietnam Leasing Co.		50,650	-	50,650
PT. KOEXIM Mandiri Finance		81,040	-	81,040
KEXIM Asia Limited		11,650	4,559	16,209
	₩	234,510	₩ 19,754	₩ 254,264

	(Liabilities)	
	Debentures in foreign currencies	
KEXIM Bank UK Limited	₩	50,650

	(Transactions)		
	Interest income	Interest expenses	Commission income
KEXIM Bank UK Limited	₩ 3,604	₩ 400	₩ -
KEXIM Vietnam Leasing Co.	1,778	-	12
PT. KOEXIM Mandiri Finance	2,912	-	-
KEXIM Asia Limited	1,403	-	-
	₩ 9,697	₩ 400	₩ 12

(3) Related parties as of December 31, 2004 were as follows (Won in millions):

Related parties	Capital	No. of shares	Ownership (%)
KEXIM Bank UK Limited	34,935	149,999	100.00
KEXIM Vietnam Leasing Co.	13,169	400,000	100.00
PT. KOEXIM Mandiri Finance	4,557	Limited company	85.00
KEXIM Asia Limited	30,390	Limited company	100.00

Notes to Non-Consolidated Financial Statements

For the Years Ended December 31, 2005 and 2004

(4) Significant balances of assets and liabilities, and incomes and expenses from significant transactions with related parties as of and for the year ended December 31, 2004 were as follows (Won in millions):

	(Assets)				
	Due from banks in foreign currencies	Loans in foreign currencies	Call loans	Total	
KEXIM Bank UK Limited	₩ 71,945	₩ 20,876	₩ 58	₩	92,879
KEXIM Vietnam Leasing Co.	44,883	-	-		44,883
PT. KOEXIM Mandiri Finance	73,066	-	533		73,599
KEXIM Asia Limited	5,219	25,051	40		30,310
	₩ 195,113	₩ 45,927	₩ 631	₩	241,671

	(Liabilities)	
	Borrowings in foreign currencies	
KEXIM Bank UK Limited	₩	5,060

	(Transactions)	
	Interest income	Interest expenses
KEXIM Bank UK Limited	₩ 562	₩ 172
KEXIM Vietnam Leasing Co.	873	-
PT. KOEXIM Mandiri Finance	1,319	-
KEXIM Asia Limited	37	-
	₩ 2,791	₩ 172

22. STATEMENTS OF CASH FLOWS:

(1) The statements of cash flows for the Bank are presented by the indirect method. Cash flows from the Bank's major business including loans on credit and security transactions are classified as cash flows from investing activities and those from the receipts and borrowings are classified as cash flows from financing activities. Other cash flows are included in cash flows from operating activities.

(2) Due from banks in the statements of cash flows for the years ended December 31, 2005 and 2004 were as follows (won in millions):

	2005	2004
Due from banks in local currency	₩ 5,894	₩ 5,381
Due from banks in foreign currencies	38,153	64,123
	₩ 44,047	₩ 69,504

(3) Significant transactions not involving cash inflows and outflows for the years ended December 31, 2005 and 2004 were as follows (Won in millions):

	2005	2004
Increase (decrease) in gain on valuation of available-for-sale securities	₩ 591,565	₩ 263,766
Increase in capital from investment in kind	500,000	-
Increase in available-for-sale securities resulting from the debt for equity swap	12,193	45,185
	₩ 1,103,758	₩ 308,951

23. EMPLOYEE WELFARE:

The Bank extends housing loans and operates in-house cafeteria, scholarship, medical insurance, workmen's compensation, physical training facilities and recreational facilities, in order to enhance the employee welfare. Employee welfare expenses for the years ended December 31, 2005 and 2004 were as follows (Won in millions):

	2005	2004
Meal expenses	₩ 76	₩ 96
Medical expenses	233	172
Fringe benefits	4,161	3,600
Healthcare expenses	330	342
	₩ 4,800	₩ 4,210

24. COMPUTATION OF VALUE ADDED:

Amounts required for computation of value added were as follows (Won in millions):

	2005	2004
Ordinary income	₩ 306,275	₩ 106,296
Salaries and wages	53,154	46,945
Rental fees	429	392
Depreciation	4,045	3,643
Amortization expense of intangible assets	1,656	1,469
Taxes and dues	3,452	937
	₩ 369,011	₩ 159,682

Board of Directors



Chairman & President
Dong-Kyu Shin



Deputy President
Jin-Ho Kim



Auditor
Jeong-Sang Choi



Executive Director
Joong-Ouk Shin



Executive Director
Jung-Jun Kim



Executive Director
Sung-Uk Hong



Executive Director
Tae-Sung Chung



Executive Director
Yong-An Choi



Financing Services

Export Financing

Loans to Domestic Suppliers

Export Loans

Loans provided to Korean exporters that implement the export of capital goods such as industrial plants, ships and industrial machinery

Technical Services Credit

Credit extended towards Korean companies that export technical services including overseas construction projects

Small Business Export Credit

Credit extended towards small & medium sized enterprises in their export transactions or in their supply of parts or materials to primary exporters

Rediscount on Trade Bills

Trade financing provided to domestic commercial banks in the form of rediscounting trade bills initially discounted by commercial banks for exporters

Forfaiting

Trade financing provided to Korean exporters conducting transactions with developing countries in the form of discounting trade bills on a without recourse basis or excluding additional collateral

Export Factoring

Trade financing provided to Korean exporters conducting export transactions on credit (including transaction on a D/A basis) in the form of discounting trade receivables on a without recourse basis



Loans to Foreign Buyers

Direct Loans

Loans provided to foreign buyers that purchase Korean goods and services or technical services

Project Finance

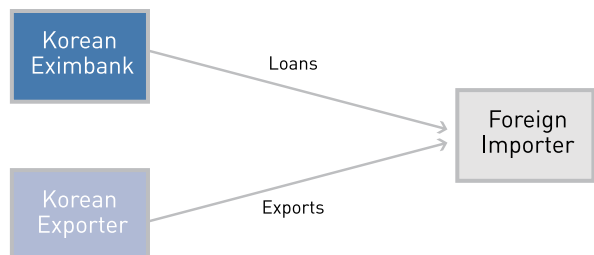
Financing extended towards project companies for the promotion of greenfield projects with cash flows from the project operation as the main source of funds for repayment

Structured Finance

Financing provided to project companies or foreign companies for investment projects (including ships) with cash flows from the project and other assets as a security package

Interbank Export Loans

Line of credit provided to creditworthy banks in foreign countries to help foreign buyers obtain credit for the purchase of goods and services of Korean origin



Import Financing

Import Credit

Credit extended towards Korean importers that import essential materials and major resources, whose stable and timely supply is required for the national economy



Overseas Investment Financing

Overseas Investment Credit

Credit to Korean companies that invest in their overseas subsidiaries in the form of equity participation or a long-term loan

Overseas Project Credit

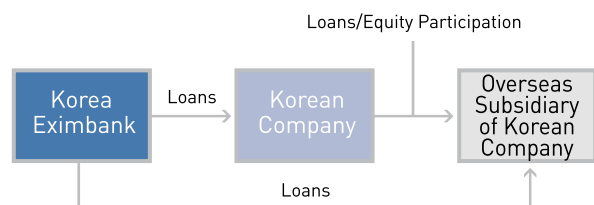
Credit to Korean companies engaged in business abroad, to procure materials required for installing, expanding and operating equipment or facilities

Overseas Business Credit

Credit to foreign companies, in which a Korean company has equities, in the form of funds for purchasing equipment or working capital

Major Resources Development Credit

Credit to Korean companies that explore natural resources such as oil and natural gas and acquire mining rights abroad



Guarantees and Other Support

Financial Guarantees

Guarantees to cofinancing banks that provide loans for eligible transactions

Project Related Guarantees

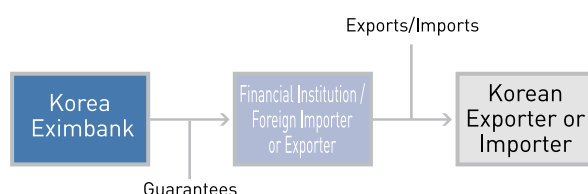
Guarantees for foreign importers for the performance of an eligible project, in the form of Bid Bond, Advance Payment Bond, Performance Bond, Retention Bond, etc.

Interest Rate Support

Support to financial institutions that cofinance export credits with Korea Eximbank at CIRR, in accordance with the OECD Guidelines

L/C Confirmation Facility

Confirmation of L/Cs which are issued by foreign banks in developing countries, in favor of Korean exporters related to export transactions



Non-financial Services

Country Information Service

Diverse and timely economic information on many countries worldwide by operating Overseas Economic Information System (OEIS) on the Bank's website

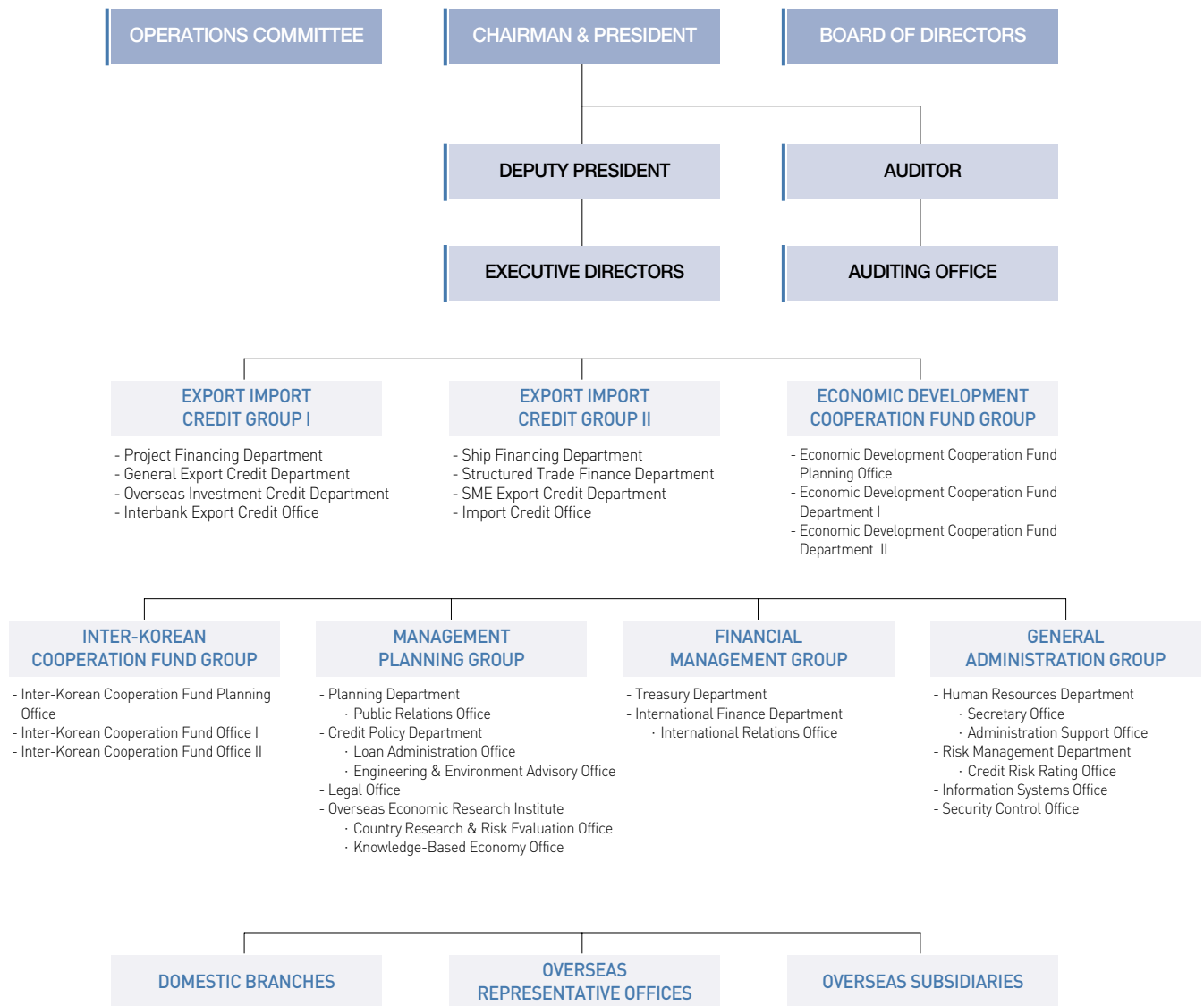
Consulting Service

Legal counseling on international contracts or transactions provided by in-house lawyers

Export Credit Advisory Service (ECAS)

Financial consulting service supporting Korean exporters at the early stage of contract negotiations as well as a wide range of knowledge on the industry, market and financial status of importing countries

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