



# Busan

## Asia's New Financial Center

2014



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## Foreword

The Korean government designated Busan Metropolitan City as a financial hub specializing in maritime finance and derivatives in January 2009 as part of a national strategic initiative to promote the financial industry as the economy's growth engine. Since then, we have been working to improve our market infrastructures and make Busan an attractive business and investment destination for foreign financial firms.

Thanks to the efforts of many, Busan's global recognition and stature have been growing as noted by the Global Financial Centers Index (GFCI) in September 2013, which picked Busan as one of three aspiring financial centers most likely to make further advances and gain more prominence going forward. Busan handles 76% of Korea's container traffic and is the world's 5<sup>th</sup> largest international port. As a favorite destination for international conventions, Busan ranks the 4<sup>th</sup> in Asia and the 15<sup>th</sup> in the world. It is also one of Northeast Asia's top tourism and convention destinations.

Moreover, as an international port city sitting on a major Europe-North America route, Busan is strategically located to start the trans-Eurasia railway. It is Northeast Asia's best logistics hub with world-class harbor and airport. With thriving clusters of shipping, auto, and other manufacturing businesses backed by a large pool of high-quality workforce, Busan also offers a uniquely business-friendly environment and growth opportunities for international financial firms that are looking for the next business destination. It is home to the Korea Exchange as well. In short, we are doing our utmost to help transform Busan into Northeast Asia's newest financial hub with ship finance and derivatives as the core strength.

**Busan: Asia's New Financial Center** is an easy-to-read guide to Korea and Busan with many useful information and instructive statistics. It not only showcases the appeal of the Korean economy and financial markets, but also highlights the benefits and advantages of doing business and working and living in Busan. We hope it serves as a useful guide to investing in Korea and finding exciting growth opportunities in Busan.

Thank you.



Hur Namsik  
Mayor of Busan Metropolitan City

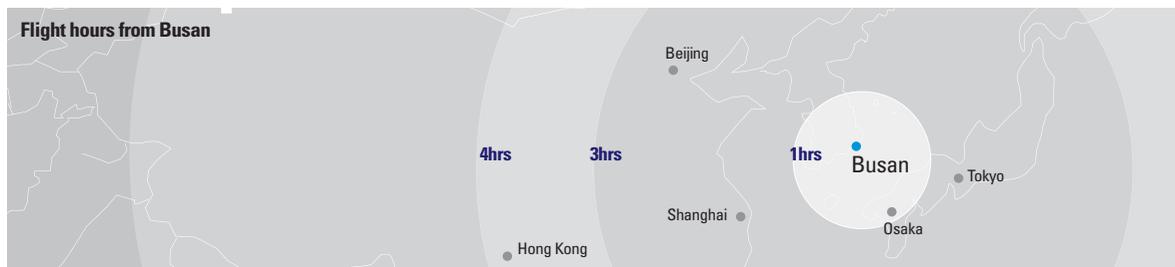


JongKu Choi  
Head of the Financial Hub Korea  
First Senior Deputy Governor of FSS



## Quick view of Busan

	Busan	Republic of Korea
<b>Area</b>	768.41km <sup>2</sup>	100,032km <sup>2</sup>
<b>Population</b>	3,586,079 people	50,948,272 people
<b>Location</b>	Southeast of the Republic of Korea	Norhest Asia (between China and Japan)
<b>Language</b>	Korean	
<b>Currency</b>	Won (USD 1=KRW 1,126.9, average exchange rate 2012)	
<b>System of Government</b>	Presidential System	
<b>Economy</b>	<ul style="list-style-type: none"> <li>Shipbuilding</li> <li>Port Logistics</li> <li>Auto parts &amp; Materials</li> <li>Film &amp; IT</li> <li>Tourism &amp; Conventions</li> <li>Financial Services</li> </ul>	<ul style="list-style-type: none"> <li>• Asia's 4th, and the world's 15th largest economy</li> <li>• Main industries : shipbuilding (world's top),                             <ul style="list-style-type: none"> <li>· Shipbuilding (world's top)</li> <li>· Petrochemicals (world's 3rd)</li> <li>· Automobile (world's 4th)</li> </ul> </li> <li>· Semiconductor (world's 3rd)</li> <li>· Electronics (world's 4th)</li> <li>· Steel (world's 6th), etc.</li> <li>• Strong IT infrastructure and cutting-edge information and communication network</li> </ul>
<b>Registered Foreign Population (2012)</b>	35,116 people	932,983 people * Foreign tourists in Korea : 11.1 million



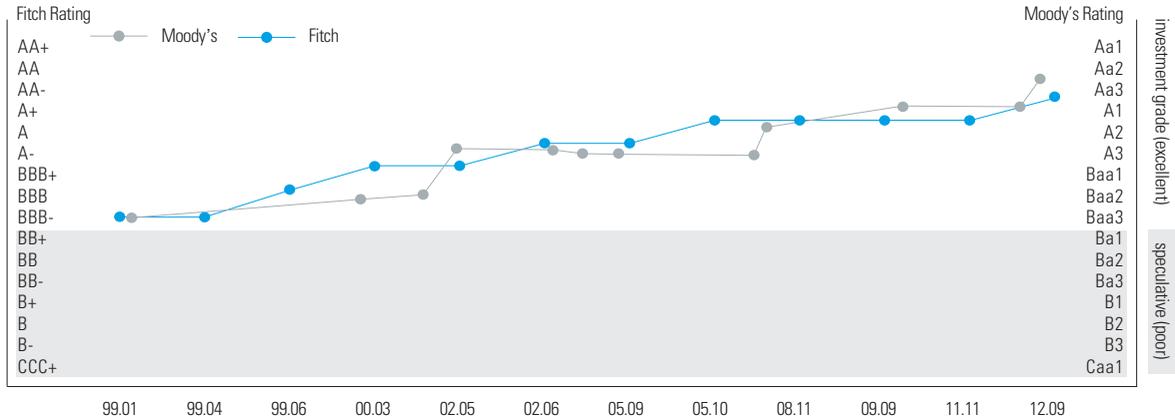
Located at the southeastern tip of Korean Peninsula, Busan has served as Korea's gateway to the world since its opening as an international port in 1876. As a critical link between the Pacific and the Eurasian Continent, Busan also has become a major logistics hub, ranked as world's 5th largest container port.



# I. Dynamic Economy

## 1. National Credit Rating

### Korea's Sovereign Credit Rating



### Reference : Credit Ratings of Major Economies

[As of Aug. 27, 2012]

Country	Moody's	S&P	Fitch	Country	Moody's	S&P	Fitch
Korea	Aa3	A	A+	Singapore	Aaa	AAA	AAA
United States	Aaa	AA+	AAA	India	Baa3	BBB-	BBB-
Canada	Aaa	AAA	AAA	Russia	Baa1	BBB	BBB
Australia	Aaa	AAA	AAA	Germany	Aaa	AAA	AAA
Brazil	Baa2	BBB	BBB	United Kingdom	Aaa	AAA	AAA
Mexico	Baa1	BBB	BBB	France	Aaa	AA+	AAA
Argentina	B3	B	B	Italy	Baa2	BBB+	A-
China	Aa3	AA-	A+	Spain	Baa3	BBB+	BBB
Japan	Aa3	AA-	A+	Greece	C	CCC	CCC
Taiwan	Aa3	AA-	A+	Turkey	Ba1	BB	BB+

Korea's rating has been on a steady rise thanks to its robust economy. As of August 2012, Korea has been rated Aa3 by Moody's, A by S&P, and A+ by Fitch.

## 2. National Competitiveness

	2009	2010	2011	2012	2013
<b>Overall</b>	27	23	22	22	22
<b>Economic Performance</b>	45	21	25	27	20
<b>Government Efficiency</b>	36	26	22	25	20
<b>Business Efficiency</b>	29	27	26	25	34
<b>Infrastructure</b>	20	20	20	20	19

**Source:** IMD's World Competitiveness Yearbook (Rankings of 4 categories as well as overall ranking)

According to the 2013 World Competitiveness Yearbook unveiled by the International Management Development Institute (IMD), Korea ranked 22nd in terms of global competitiveness (among 60 countries surveyed). In 21 sub-factors, Korea ranks among top 5 including long-term unemployment (1st), public sector employment (2nd), corporate R&D expenses (2nd).

### 3. Gross Domestic Product

	1993	1998	2003	2008	2013	Unit
<b>GDP</b>	372	358	644	931	1,259	billion USD
<b>GDP per Capita</b>	8,422	7,724	13,451	19,028	25,051	USD

Source: IMF, 「World Economic Outlook」 (2013.4)

In 2007, Korea's GDP and GDP per capita surpassed USD 1 trillion and USD 20,000, respectively. However, the figures fell due to the global financial crisis. GDP and GDP per capita bounced back from 2010, estimated to be USD 1.259 trillion and USD 25,051, respectively, in 2013.

#### Reference

[Unit: billion]

Rank	Country	GDP (\$)	Year	Rank	Country	GDP (\$)	Year
1	 United States	15,609.6	2012	8	 United Kingdom	2,308.5	2012
2	 China	12,387.0	2012	9	 France	2,257.0	2012
3	 India	4,824.5	2012	10	 Italy	1,834.9	2012
4	 Japan	4,588.9	2012	11	 Mexico	1,743.4	2012
5	 Germany	3,158.0	2012	12	 Korea	1,629.9	2012
6	 Russia	2,510.7	2012	13	 Canada	1,443.1	2012
7	 Brazil	2,393.9	2012	14	 Spain	1,405.4	2012

Source: International Monetary Fund

Korea's PPP-based GDP is USD 1.6299 trillion, ranking 12th in the world. It is the 4th highest in Asia.

## 4. External Debt and External Assets

[Unit: 100 million USD, %]

	2007	2008	2009	2010	2011	2012
<b>External Debt</b>	3,334	3,174	3,457	3,598	3,987	4,094
<b>Short-term Debt</b>	1,602	1,499	1,492	1,398	1,374	1,272
<b>Shor-term Debt to Foreign Reserves Ratio (%)</b>	61.1	74.5	55.3	47.9	44.8	38.9
<b>External Assets</b>	4,171	3,419	4,147	4,511	4,967	5,402
<b>Net External Credit</b>	836	246	690	913	980	1,308

Source: Bank of Korea

As of end-2012, Korea's external debt rose USD 10.7 billion, recording USD 409.4 billion, while external assets stood at USD 540.2 billion, showing a USD 43.5 billion increase from the previous year. Net external credit rose USD 32.8, reaching USD 130.8 billion.

## 5. Trade

### A. Trade Volume

	World (Billion USD)			Korea (Million USD)			Share (%)		
	Exports	Imports	Total	Exports	Imports	Total	Exports	Imports	Total
<b>1990</b>	3,449	3,550	6,999	65,016 (11)	69,844 (11)	134,860 (12)	1.9	2.0	1.9
<b>2000</b>	6,456	6,727	13,183	172,267 (12)	160,481 (13)	332,748 (13)	2.5	2.4	2.5
<b>2010</b>	15,237	15,402	30,639	466,384 (7)	425,212 (10)	891,596 (9)	3.1	2.8	2.9
<b>2012</b>	18,323	18,567	36,890	547,870 (7)	519,584 (9)	1,068,454 (8)	3.0	2.8	2.9

**Note :** Figures in ( ) represent Korea's ranking in the world

**Source :** WTO, International Trade

As of 2012, Korea's export volume stood at USD 547,870 million, the 7th largest in the world. Import volume recorded USD 519,584 million, reaching 9th in the world. The trade volume totaled USD 1,068,454 million and marked 8th largest in the world.

## B. Export Items

### Top 10 Export Products

[Unit: Million USD]

Rank	2011		2012	
	Product	Volume	Product	Volume
1	Ship	56,588	Petroleum Products	56,098
2	Petroleum Products	51,600	Semi-conductor	50,430
3	Semi-conductor	50,146	Automobile	47,201
4	Automobile	45,312	Offshore Structures and Parts	39,753
5	Flat Panel Display and Sensor	28,733	Flat Panel Display and Sensor	31,291
6	Wireless Communication Device	27,325	Automobile Parts	24,610
7	Automobile Parts	23,088	Wireless Communication Device	22,751
8	Steel Plate	20,972	Steel Plate	19,729
9	Synthetic Resin	19,555	Synthetic Resin	19,558
10	Computer	9,156	Applied Electronic Apparatus	8,583
<b>Export Volume of Top 10 - Export Products</b>		332,475		320,004
<b>As a Percentage of Total - Export Volume (%)</b>		59.9		58.4

Source: Korea Customs Service

The top 10 export products take up 58.4% of total exports, where petroleum products are exported the most, followed by semiconductor products, automobiles and offshore structures.

### C. Import Items

#### Top 10 Import Products

[Unit: Million USD]

Rank	2011		2012	
	Product	Volume	Product	Volume
1	Crude Oil	100,806	Crude Oil	108,298
2	Semi-conductor	32,483	Semi-conductor	32,242
3	Natural Gas	23,859	Natural Gas	27,364
4	Petroleum Product	22,883	Petroleum Product	26,797
5	Coal	18,477	Coal	16,069
6	Steel Plate	12,872	Steel Plate	10,358
7	Iron Ore	11,381	Iron Ore	9,532
8	Computer	10,673	Computer	9,484
9	Semiconductor Manufacturing Equipment	9,741	Semiconductor Manufacturing Equipment	9,294
10	Fine Chemicals	8,893	Fine Chemicals	8,760
<b>Import Volume of Top 10 - Import Products</b>		252,068		258,198
<b>As a Percentage of Total - Import Volume (%)</b>		48.0		49.7

Source: Korea Customs Service

The top 10 import products take up 49.7% of total imports, where commodities (crude oil, natural gas, coal etc.) take up more than half of the proportion. Crude oil has been ranked as no.1 import item for the past years.

## 6. Shipbuilding Industry in Korea

### A. Ship orders

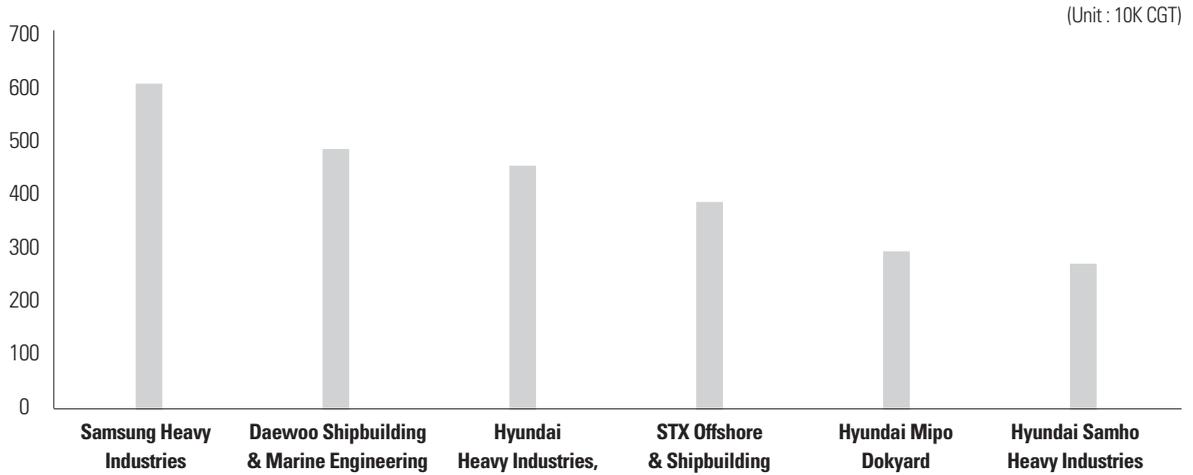
	2009	2010	2011	2012	2013.6
<b>Global Orders(A) (1,000 CGT)</b>	17,059.0	45,783.9	34,759.4	24,268.7	16,657.6
<b>Orders in Korea(B) (1,000 CGT)</b>	4,314.1	12,722.5	14,275.1	7,942.2	5,994.7
<b>Ratio (B/A)</b>	25.3%	27.8%	41.1%	32.7%	36.0%
<b>Rank</b>	2	2	1	1	2
<b>Amount of Global Orders(C) (Million USD)</b>	13,970.46	33,804.56	48,049.82	30,530.25	18,485.70
<b>Amount of Orders in Korea(D) (Million USD)</b>	13,970.46	33,804.56	48,049.82	30,530.25	18,485.70
<b>Ratio (D/C)</b>	33.9%	31.6%	46.7%	35.1%	50.1%
<b>Rank</b>	2	2	1	1	1

Source : Busan Port Authority

During the 1st half of 2013, Korea took up 36.0% of the total global ship orders, ranking 2nd. In terms of amount of orders, Korea won 50.1% of total global amount, ranking 1st.



### B. Global Shipbuilding Company Rankings (by orderbook)



**Note:** As of Mar. 2013, on an outstanding order basis

**Source:** Clarkson

As of March 2013, The Korean shipbuilding industry takes up 35% of the global market share on an outstanding order basis, the largest in the world. The top 6 shipbuilders in the world are also Korean companies.

#### Reference

**CGT (Compensated Gross Tonnage)**

Unit of weight calculated by multiplying the tonnage (GT) of a ship by a coefficient, which is determined according to the added value and level of difficulty to build a particular ship



**C. Global Top 10 Maritime Countries**

Rank	January 2000			Rank	January 2013		
	Country	No. of Vessels	10K DWT		Country	No. of Vessels	10K DWT
1	Greece	3,167	13,172	1	Greece	3,764	26,044
2	Japan	2,863	9,524	2	Japan	4,108	22,994
3	Norway	1,324	5,364	3	China	4,090	16,091
4	USA	925	4,639	4	Germany	4,027	13,098
5	China	1,952	3,844	5	Korea	1,608	7,970
6	Hong Kong	546	3,105	6	Norway	1,592	5,852
7	Germany	1,900	2,924	7	Singapore	1,177	4,779
8	Korea	814	2,498	8	USA	982	4,696
9	Taiwan	490	2,003	9	Taiwan	798	4,543
10	Singapore	639	1,842	10	Denmark	959	4,221

**Source:** Busan Port Authority

As of Jan. 2013, Korea has a total of 1,608 merchant vessels with 79.7 million DWT, ranked 5th in the world and 3rd in Asia.

**Reference**

DWT (deadweight tonnage)

Maximum weight a ship can safely carry

**D. Busiest Ports in the World by Cargo Volume**

[Unit : 1,000 TEU]

2012 Rank	Country	Accumulated Cargo Volume		
		2011	2012	Growth
1	Shanghai	31,739	32,529	2.5%
2	Singapore	29,937	31,649	5.7%
3	Hong Kong	24,384	23,097	△ 5.3%
4	Shenzhen	22,570	22,941	1.6%
5	Busan	16,184	17,041	5.3%
6	Ningbo-Zhoushan	14,719	16,830	14.3%
7	Guangzhou	14,260	14,743	3.4%
8	Qingdao	13,020	14,500	11.4%
9	Dubai	13,000	13,265	2.0%
10	Tianjin	11,500	12,295	6.9%

**Note :** Dubai and Rotterdam does not post official statistics since 2010

**Source :** Busan Port Authority

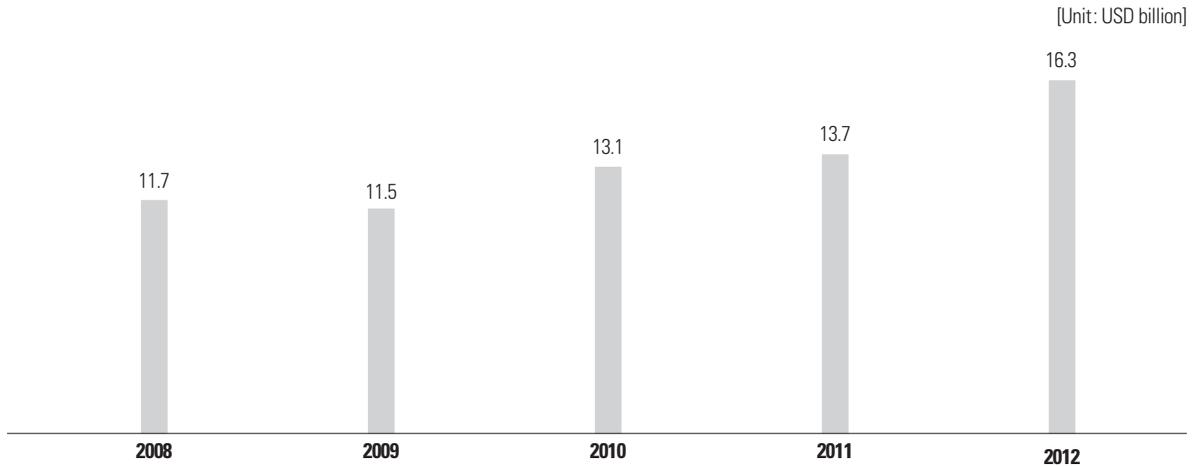
Busan is ranked 5th by cargo volume as of 2012.

**Reference**

TEU (Twenty-foot Equivalent Unit)

Volume of a 20ft long container

## 7. Foreign Direct Investment



Source: Ministry of Trade, Industry and Energy (www.motie.go.kr)

Foreign direct investment received by Korea in 2012 rose to USD 16.3 billion, up from USD 11.5 billion in 2009. There is growing interest by investors in R&D facilities, logistics centers and regional headquarters of multinational corporations. There is also much interest in Korea's highly developed electronics sector from parts and materials companies.

### Reference : Foreign direct investment of Busan

[Unit : million USD]

	2008	2009	2010	2011	2012
<b>Korea</b>	11,712	11,484	13,071	13,673	16,258
<b>Busan</b>	436	379	253	359	480

Source: Busan Metropolitan City website

## 8. Unemployment Rate by Country

[Unit : %]

	2008	2009	2010	2011	2012
<b>Korea</b>	3.3	3.8	3.8	3.5	3.3
<b>Norway</b>	2.6	3.2	3.7	3.3	3.3
<b>Switzerland</b>	3.4	4.2	4.6	4.1	4.3
<b>Austria</b>	3.9	4.8	4.5	4.2	4.4
<b>Japan</b>	4.2	5.3	5.3	4.8	4.6
<b>Mexico</b>	3.6	5.4	5.4	5.4	5.0
<b>Netherlands</b>	3.0	3.7	4.5	4.4	5.3
<b>Australia</b>	4.3	5.7	5.3	5.2	5.4
<b>Germany</b>	7.6	7.8	7.2	6.0	5.5
<b>New Zealand</b>	4.3	6.3	6.7	6.7	7.2
<b>Canada</b>	6.2	8.4	8.1	7.5	7.3
<b>Denmark</b>	3.5	6.1	7.6	7.7	7.7
<b>Sweden</b>	6.3	8.5	8.7	7.9	8.1
<b>United Kingdom</b>	5.4	7.8	7.9	8.0	8.1
<b>United States</b>	5.8	9.4	9.8	9.1	8.2
<b>France</b>	7.4	9.2	9.4	9.3	9.9
<b>Italy</b>	6.8	7.9	8.5	8.5	10.8
<b>Portugal</b>	8.1	10.0	11.4	13.4	16.4
<b>Greece</b>	7.8	9.6	12.7	17.9	24.5
<b>Spain</b>	11.4	18.1	20.2	21.8	25.2
<b>OECD Total</b>	6.1	8.3	8.5	8.2	8.2

**Source:** Labour market statistics: Labour force statistics by sex and age; indicators, OECD Employment and Labour Market Statistics (database)

As of 2012, the unemployment rate of Korea stands at 3.3%, lower than half the average rate of OECD member countries, 8.2%.

This figure is the lowest among 34 OECD countries.

## 9. Global 500 Companies by Country

This is the list of the top 16 countries, with the most Global 500 companies.

Rank	Country	Companies	Rank	Country	Companies
1	 United States	132	9	 Netherlands	12
2	 China	89	10	 Canada	9
3	 Japan	62	11	 Australia	8
4	 France	31	11	 Italy	8
5	 Germany	29	11	 Brazil	8
6	 United Kingdom	27	11	 Spain	8
7	 Korea	14	11	 India	8
7	 Switzerland	14	16	 Russia	7

**Note** : 138 companies are located in the European Union.

**Source** : Fortune Global 500

When looking at Global 500 by country, Korea is ranked 7th with 14 global companies, following the United Kingdom. It is ranked 3rd among Asian countries.

## II. Flexible Financial Market

### 1. Financial Stability

#### General Government Gross Debt (Percent of GDP)

[Unit : %]

	2007	2008	2009	2010	2011	2012	2013
<b>Australia</b>	-7.3	-5.3	-0.6	4.0	8.1	11.6	12.7
<b>Austria</b>	40.9	42.0	49.2	52.6	52.2	53.5	54.0
<b>Belgium</b>	73.1	73.3	79.5	79.7	81.2	83.3	84.3
<b>Canada</b>	22.9	22.4	27.7	29.7	32.3	34.6	35.9
<b>Denmark</b>	-3.8	-6.1	-4.5	-1.6	3.3	7.6	10.3
<b>Finland</b>	-72.5	-52.3	-62.8	-65.5	-54.0	-50.9	-47.5
<b>France</b>	59.6	62.3	72.0	76.1	78.8	84.1	86.5
<b>Germany</b>	50.6	50.1	56.7	56.3	55.3	57.2	56.2
<b>Greece</b>	107.0	112.0	128.9	146.9	168.3	155.4	176.1
<b>Ireland</b>	11.4	23.0	41.8	74.5	94.9	102.3	106.2
<b>Israel</b>	69.2	69.1	70.8	69.2	68.9	70.1	70.3
<b>Italy</b>	86.9	88.8	97.2	99.2	99.7	103.2	105.8
<b>Japan</b>	80.5	95.3	106.2	113.1	127.4	134.3	143.4
<b>Korea</b>	28.7	28.8	32.3	32.1	32.9	32.2	31.1
<b>Netherlands</b>	21.6	20.6	22.8	26.0	28.3	32.5	35.5
<b>New Zealand</b>	6.5	7.4	11.7	17.0	22.2	26.4	28.8
<b>Norway</b>	-138.8	-123.7	-154.8	-163.8	-157.8	-165.5	-175.0
<b>Portugal</b>	63.7	67.4	79.0	88.8	97.5	111.6	115.0
<b>Spain</b>	26.7	30.8	42.5	49.8	57.5	71.9	79.1
<b>Sweden</b>	-17.4	-12.5	-19.6	-20.9	-18.4	-17.6	-16.3
<b>Switzerland</b>	32.0	29.4	28.7	28.0	28.2	28.3	27.8
<b>United Kingdom</b>	38.0	48.1	63.2	72.9	77.7	82.8	86.1
<b>United States</b>	48.0	54.0	66.7	75.1	82.4	87.9	89.0
<b>Average</b>							
Euro area	52.1	54.0	62.3	65.5	67.8	71.9	73.9
G-7	54.4	61.0	72.7	78.9	85.2	90.4	91.5
G-20	51.8	58.1	69.4	74.8	80.5	85.2	86.1

Source: IMF staff estimates and projections. Projections are based on staff assessment of current policies

In 2013, the net debt to GDP ratio of Korea is estimated to be 31.1%, which is fairly lower than other advanced countries.

## 2. Overview of Financial Companies

### A. Number of Financial Companies by Sector

[Unit : Company]

Year-end	2007	2008	2009	2010	2011	2012
<b>Bank</b>	18	18	18	18	18	18
<b>Mutual Savings Bank</b>	108	106	105	105	98	93
<b>Credit Union</b>	1,007	994	982	962	955	949
<b>Credit-specialized Financial Company</b>	54	56	58	63	64	65
<b>Credit Card Company</b>	5	5	6	6	7	7
<b>Life Insurance Company</b>	22	22	22	23	23	24
<b>Non-life Insurance Company</b>	28	30	30	30	30	31
<b>Securities Company</b>	54	61	62	62	62	61
<b>Futures Company</b>	14	14	11	9	7	7
<b>Asset Management Company</b>	51	63	69	80	82	84
<b>Merchant Bank</b>	2	2	2	1	1	1
<b>Total</b>	1,358	1,366	1,359	1,353	1,340	1,333

Source: Monthly Financial Statistics Bulletin, Financial Supervisory Service

As of end-2012, the total number of financial companies in Korea stood at 1,333, with 18 banks, 61 securities companies, 84 asset management companies, 24 life insurance companies and 31 non-life insurance companies.

**B. Total Assets of Financial Companies by Sector**

[Unit: Billion KRW]

<b>Year-end</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Bank</b>	1,567,813.7	1,869,268.6	1,799,815.9	1,841,707.3	1,969,303.5	2,031,267.9
<b>Mutual Savings Bank</b>	58,034.7	69,211.4	83,596.9	86,814.4	68,698.7	49,390.3
<b>Credit Union</b>	27,439.2	30,862.3	39,729.8	47,783.4	49,603.2	55,340.3
<b>Credit-specialized Financial Company</b>	89,713.9	101,627.3	104,073.7	120,773.7	158,804.1	164,915.3
<b>Credit Card Company</b>	39,260.7	42,722.3	44,433.7	54,460.8	81,882.3	82,392.6
<b>Life Insurance Company</b>	297,339.4	320,408.3	361,432.3	408,495.2	442,652.4	547,809.5
<b>Non-life Insurance Company</b>	63,828.0	71,526.8	82,998.9	99,009.2	123,358.4	151,793.9
<b>Securities Company</b>	126,903.7	140,642.9	163,956.1	199,805.1	233,780.6	259,910.4
<b>Futures Company</b>	1,971.5	2,799.0	2,480.4	1,794.0	2,279.9	2,652.5
<b>Asset Management Company</b>	2,499.8	3,017.3	3,355.3	3,669.9	3,888.8	3,961.1
<b>Merchant Bank</b>	1,794.4	2,487.8	3,526.4	1,751.7	1,277.3	1,412.6
<b>Total</b>	2,237,338.3	2,611,851.7	2,644,965.7	2,811,603.9	3,053,646.9	3,268,453.8

Source: Monthly Financial Statistics Bulletin, Financial Supervisory Service

As of end-2012, the total assets of Korean financial companies amount to KRW 3,268 trillion, where banks, securities companies, life insurance companies, non-life insurance companies take up 62.1%, 8.0%, 16.8%, and 4.6% of the total, respectively.

### 3. Profitability of Financial Companies

#### A. Net Income

[Unit : Billion KRW]

	2008	2009	2010	2011	2012
<b>Banks</b>	7,744.3	6,930.0	9,313.4	14,468.6	9,361.4
<b>Credit Cards</b>	1,660.8	1,864.3	2,721.7	2,102.0	2,199.1
<b>Life Insurance</b>	570.3	2,454.9	4,009.0	3,382.1	3,200.3
<b>Non-life Insurance</b>	1,310.7	1,541.3	2,031.4	2,446.9	2,416.1
<b>Securities</b>	2,023.3	2,947.3	2,803.7	2,212.6	1,240.8
<b>Asset Management</b>	402.7	452.1	389.2	303.7	328.8
<b>Total</b>	13,712.1	16,189.9	21,268.4	24,915.9	18,746.5

**Source :** Monthly Financial Statistics Bulletin, Financial Supervisory Service

· Based on respective fiscal year by sector.

Settlement month by sector. Banks, credit cards (December), savings banks (June), life insurance, non-life insurance, securities, asset management (March)

· Banks (includes domestic banks and special banks, foreign bank branches not included)

As of 2012, the total net income of banks, credit card companies, insurance companies, securities companies and asset management companies stood at KRW 18.7465 trillion. Banks took up 49.9%, life insurance companies 17.1%, non-life insurance companies 12.9%, credit card companies 11.7%, securities companies 6.6% and asset management companies 6.6% of the total.

**B. Return on Assets (ROA)**

[Unit : %]

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Banks</b>	0.55	0.41	0.53	0.69	0.54
<b>Credit Cards</b>	4.19	4.30	5.45	2.80	1.67
<b>Life Insurance</b>	0.72	0.18	0.69	1.00	0.75
<b>Non-life Insurance</b>	2.68	1.87	1.90	2.10	2.10
<b>Securities</b>	3.03	1.05	1.56	1.30	0.80
<b>Asset Management</b>	21.60	13.64	13.52	10.67	8.14

**Source :** Monthly Financial Statistics Bulletin, Financial Supervisory Service

· Based on respective fiscal year by sector.

Settlement month by sector. Banks, credit cards (December), savings banks (June), life insurance, non-life insurance, securities, asset management (March)

· Banks (includes domestic banks and special banks, foreign bank branches not included)

In 2012, total ROA of asset management companies was the highest, at 8.14%, followed by non-life insurance companies (2.10%), credit card companies (1.67%), securities companies (0.80%), life insurance companies (0.75%) and banks (0.54%).

## 4. Foreign Financial Institutions

### A. Foreign Financial Companies in Korea

[Unit : company]

	end-'09	end-'10	end-'11	end-'12	end-Jun. '13
<b>Bank</b>	56	56	57	56	56
<b>Financial Investment</b>	46	44	49	50	52
<b>Insurance</b>	32	32	32	32	32
<b>Loan Business</b>	14	14	15	14	14
<b>Total</b>	148	146	153	152	154

**Source:** Monthly Financial Statistics Bulletin, Financial Supervisory Service

As of end-June 2013, the number of foreign financial companies in Korea slightly rose to 154, compared to 2009 (148 companies). This was due to the foreign financial companies in the financial investment sector newly entering Korea.

**B. Total Assets of Foreign Financial Companies in Korea**

[Unit : Trillion KRW]

	end-'09(A)	end-'10	end-'11	end-'12(B)	increase(B-A)
<b>Bank</b>	209.5	194.9	193.2	204.1	-5.4
<b>Financial Investment</b>	13.2	15.5	16.9	15.7	2.5
<b>Insurance</b>	60.5	71.3	77.0	85.8	25.3
<b>Loan Business</b>	7.9	9.0	10.3	9.6	1.7
<b>Total</b>	291.1	290.7	297.3	315.3	24.2

Source : Monthly Financial Statistics Bulletin, Financial Supervisory Service

As of end-2012, the total assets of foreign financial companies in Korea amount to KRW 315.3 trillion, rising every year. In particular, the rise in the insurance sector is prominent, thanks to the rise in demand for relevant products with the aging population.

**C. Management and Employees at Foreign Financial Firms in Korea**

[Unit : individuals]

	end-'09(A)	end-'10	end-'11	end-'12(B)	increase(B-A)
<b>Bank</b>	2,756	2,969	3,162	3,229	473
<b>Financial Investment</b>	2,440	2,636	2,666	2,531	91
<b>Insurance</b>	7,855	8,786	8,891	8,861	1,006
<b>Loan Business</b>	1,079	1,076	1,072	876	-203
<b>Total</b>	14,130	15,467	15,791	15,497	1,367

Source : Monthly Financial Statistics Bulletin, Financial Supervisory Service

In end-2012, the number of the management and employees at foreign financial companies in Korea reached 15,497, contributing to the creation of quality jobs in Korea. A significant rise is shown in the insurance sector.

## 5. Capital Market

### A. Total Number of Listed Companies and Market Capitalization

[Unit : Companies, Trillion KRW]

		2006	2007	2008	2009	2010	2011	2012
<b>Nuber of Listed Companies</b>	<b>Total</b>	1,694	1,769	1,803	1,798	1,806	1,822	1,789
	<b>KOSPI Market</b>	731	746	765	770	777	791	784
	<b>KOSDAQ Market</b>	963	1,023	1,038	1,028	1,029	1,031	1,005
<b>Market Capitalizztion</b>	<b>Total</b>	776.7	1,051.9	623.1	974.0	1,237.0	1,148.0	1,263.0
	<b>KOSPI Market</b>	704.6	951.9	576.9	887.9	1,141.0	1,042.0	1,154.0
	<b>KOSDAQ Market</b>	72.1	100.0	46.2	86.1	96.0	106.0	109.0

Source : Korea Exchanges

As of end-2012, Korea Exchange had 1,789 listed companies with a combined market capitalization of KRW 1,263 trillion. This is the 16th largest in the world and 4th largest in Asia.

### Reference : World Stock Market Capitalization Rankings

Rank	Country (Exchange)	Market Capitalization (Million USD)
1	US (New York Stock Exchange)	12,625,648.2
3	Japan (Tokyo Stock Exchange)	3,452,749.4
4	UK (London Stock Exchange)	3,397,125.8
6	Hong Kong (Hong Kong Stock Exchange)	2,480,178.0
7	China (Shanghai Stock Exchange)	2,457,334.1
16	Korea (Korea Exchange)	1,091,504.6
22	Singapore (Singapore Stock Exchange)	665,734.3

Source : Seoul Metropolitan Government website

## B. Share Turnover Value

### Largest exchanges by value of share trading in the Electronic order book in 2012 and 2011

Rank	Exchange	2012 (in USD bn)	2011 (in USD bn)	% change in USD	% change in local currency
1	<b>NYSE Euronext US</b>	13,443	18,027	-25.4%	-25.4%
2	<b>NASDAQ OMX US</b>	9,784	12,724	-23.1%	-23.1%
3	<b>Tokyo Stock Exchange Group</b>	3,463	3,972	-12.8%	-12.2%
4	<b>Shanghai Stock Exchange</b>	2,599	3,658	-29.0%	-30.8%
5	<b>Shenzhen Stock Exchange</b>	2,369	2,838	-16.5%	-18.5%
6	<b>London Stock Exchange Group</b>	2,194	2,837	-22.7%	-16.0%
7	<b>NYSE Euronext Europe</b>	1,576	2,134	-26.1%	-19.7%
8	<b>Korea Exchange</b>	1,518	2,029	-25.2%	-23.9%
9	<b>TMX Group</b>	1,357	1,542	-12.0%	-10.8%
10	<b>Deutsche Borse</b>	1,276	1,758	-27.4%	-21.2%

Source: World Federation of Exchanges - WFE 2012 market highlights

As of 2012, the share turnover value of Korea Exchange stood at USD 1,518 billion, ranking 8th largest in the world and 4th in Asia.

### C. Number of Stocks Traded

#### Largest exchanges by number of trades in equity shares in the Electronic order book in 2012 and 2011

Rank	Exchange	Jan-Dec 2012 <i>(in thousand)</i>	Jan-Dec 2011 <i>(in thousand)</i>	% change
1	<b>National Stock Exchange India</b>	1,406,498	1,384,112	1.6%
2	<b>NYSE Euronext (US)</b>	1,374,539	1,994,898	-31.1%
3	<b>NASDAQ OMX</b>	1,268,037	1,702,750	-25.5%
4	<b>Korea Exchange</b>	1,218,992	1,191,124	2.3%
5	<b>Shenzhen SE</b>	935,565	1,030,324	-9.2%
6	<b>Shanghai SE</b>	925,550	1,273,277	-27.3%
7	<b>BSE India</b>	355,586	393,223	-9.6%
8	<b>Tokyo SE Group</b>	349,546	340,644	2.6%
9	<b>London SE Group</b>	222,029	237,939	-6.7%
10	<b>TMX Group</b>	215,796	222,777	-3.1%

Source: World Federation of Exchanges - WFE 2012 market highlights

As of 2012, the number of stocks traded on Korea Exchange reached 1,218,992 thousand, the 4th largest in the world, and 2nd largest in Asia.

**D. Largest Exchanges by Total Value of Bonds Traded**

Rank	Exchange	2012 (in USD bn)	2011 (in USD bn)	% change in USD	% change in local currency
1	<b>BME Spanish Exchanges</b>	11.132	17.412	-36.1%	-30.7%
2	<b>London SE Group</b>	4,575	5,394	-15.2%	-8.1%
3	<b>NASDAQ OMX Nordic Exchange</b>	3,031	2,674	13.3%	21.3%
4	<b>Johannesburg SE</b>	2,805	2,898	-3.2%	10.0%
5	<b>Korea Exchange</b>	1,226	747	64.1%	66.9%
6	<b>Colombia SE</b>	836	916	-8.7%	-11.1%
7	<b>IMKB</b>	520	518	0.3%	7.9%
8	<b>Oslo Bors</b>	505	590	-14.5%	-11.9%
9	<b>Gre Tai Securities Market</b>	352	NA	-	-
10	<b>MICEX / RTS</b>	334	301	11.2%	-

**Source:** World Federation of Exchanges - WFE 2012 market highlights

In 2012, the total value of bonds traded on Korea Exchange stood at USD 1,226 billion, becoming the 5th largest in the world and the largest in Asia.

### E. Derivatives Trade at Major Exchanges Around the World

(Unit: Million Contracts)

Rank	Exchange	1H '13		'12			'11	
		Trade Volume	Growth	Rank	Trade Volume		Rank	Trade Volume
					Year	1H		
1	CME Group (including CBOT, NYMEX)	1,667	+7.0%	1	2,890	1,558	2	3,387
2	NSE (India)	1,214	+22.8%	3	2,010	989	5	2,200
3	Eurex (including ISE)	1,203	△ 4.7%	2	2,291	1,262	3	2,822
4	NYSE Euronext (all EU&US markets)	1,083	+5.7%	4	1,951	1,025	4	2,283
5	BM&FBovespa (Brazil)	900	+3.9%	6	1,636	866	6	1,500
6	Moscow Exchange	618	+22.2%	9	1,062	506	10	1,099
7	Nasdaq OMX Group (all EU&US markets)	605	+6.5%	8	1,115	568	7	1,295
8	CBOE (including CFE, C2)	579	△ 4.3%	7	1,134	605	8	1,217
9	MCX(India) (including MCX-SX)	552	+12.9%	10	960	489	9	1,196
10	ICE	445	+123.7%	12	494	199	12	381
11	KRX	429	△ 69.2%	5	1,836	1,394	1	3,928
12	DCE (China)	350	+78.5%	11	633	196	15	289
13	ZCE (China)	289	+130.7%	14	347	125	11	406
14	SHFE (China)	276	+109.2%	13	365	132	14	308
15	JPX (China)	218	+84.9%	16	234	118	16	219
<b>Global Exchanges Total</b>		<b>11,632</b>	<b>+4.3%</b>		<b>21,190</b>	<b>11,149</b>		<b>24,981</b>

Source: KRX

Derivatives trade volume at KRX was the largest in 2011 and as of 1H 2013, it is ranked 11th largest in the world.

**F. Foreigners' Investment on Domestic Stocks**

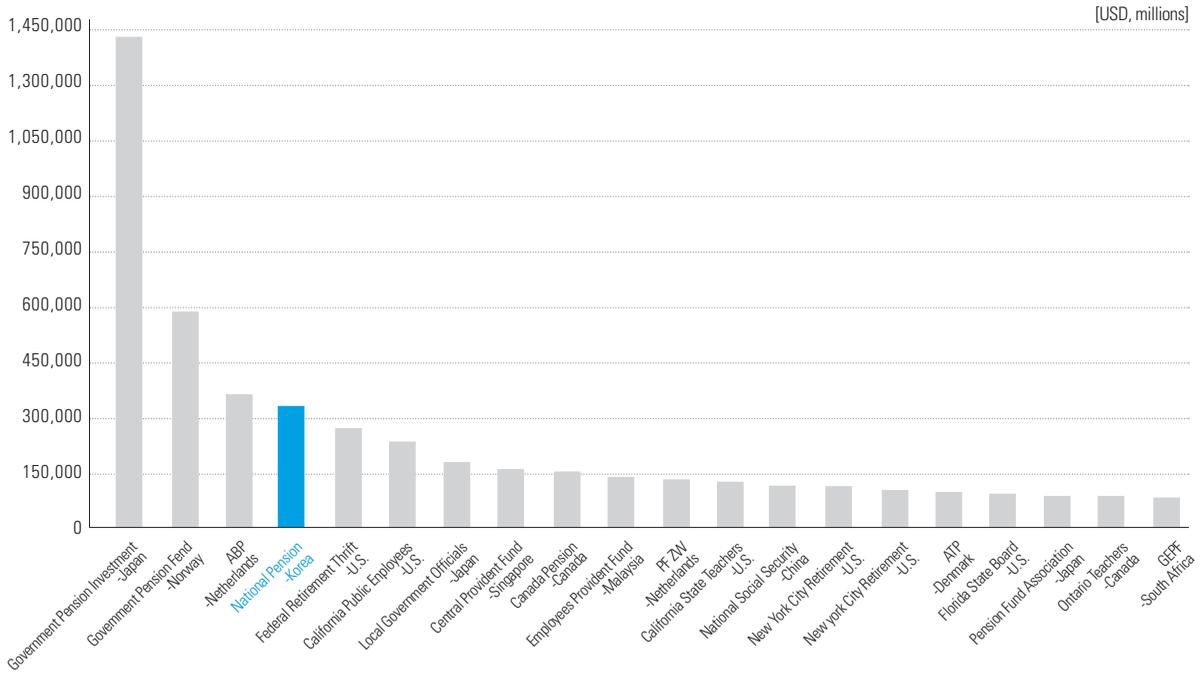
[Unit : trillion KRW, %]

		2006	2007	2008	2009	2010	2011	2012
	<b>Stocks Aquired by Foreigners</b>	272.8	344.2	169.6	296.8	386.2	350.9	410.3
<b>Market Value of Stocks</b>	<b>Stock Market</b>	262.3	325.7	165.8	290	376.3	342.5	401.3
	<b>KOSDAQ</b>	10.6	18.5	3.8	6.8	10.0	8.4	9.0
	<b>Stocks Acquired by Foreigners</b>	35.1	32.7	27.2	30.5	31.2	30.6	32.5
<b>Compared to Market Capitalization (%)</b>	<b>Stock Market</b>	37.2	34.2	28.7	32.7	33	32.3	34.8
	<b>KOSDAQ</b>	14.6	18.5	8.2	7.9	10.2	7.9	8.2

**Source:** Financial Supervisory Service 「Foreigner's Investment in Domestic Shares」 Korea Exchange > Stock Statistics > Foreigner's Investment

Since the 1997 Asian financial crisis, the Korean government has been active in opening its capital market. Thus, the proportion of foreign investment surged, with foreigners investing more than 34% and 8% as of end-2012 on KOSPI and KOSDAQ respectively, showing significant growth in KOSPI market.

## 6. Global Pension Fund Ranking



Source: P&I / TW300 Analysis, Towers Watson, August 2012

As of Aug. 2012, Korea's pension fund is the 4th largest in the world and 2nd largest in Asia. By 2018, the amount is expected to reach KRW 669 trillion.

## 7. Household's Financial Assets Composition

[As of end-Sep. 2012, Unit: %]

	Korea	US	Japan	UK	Eurozone	Australia
<b>Currency-Deposits</b>	45.5	14.3	55.6	29.0	35.8	23.0
<b>Financial Investment Instruments</b>	27.1	53.9	11.8	14.0	28.6	16.0
<b>Securities</b>	1.9	32.9	5.8	9.9	14.4	14.8
<b>Bonds</b>	5.7	8.7	2.2	1.1	7.0	0.2
<b>Funds</b>	3.5	12.3	3.8	3.0	7.2	1.0
<b>Insurance-Pension</b>	26.7	28.5	28.2	53.5	30.1	56.6
<b>Other Assets</b>	0.7	3.3	4.4	3.4	5.5	4.5

**Source:** Bank of Korea, US FRB, Bank of Japan, UK Office of National Statistics, ECB, Australian Bureau of Statistics

When it comes to household financial assets, Korean households show higher percentage in currency and deposit, while major countries excluding Japan focus on financial investment instruments, insurance and pension. Households in some countries (UK, Australia) that seem to have lower proportion of financial investment instruments actually hold more securities and funds through insurance and pension. Therefore, the actual proportion of financial investment instrument is likely to be higher.

### Reference

[Unit: %]

	Korea	US	Japan	UK	Eurozone	Australia
<b>Financial Assets</b>	24.9	68.5	59.1	49.9	41.7	38.7
<b>Non-financial Assets</b>	75.1	31.5	40.9	50.1	58.3	61.3

**Note:** Korea ('12), US ('12.3Q), Japan ('11), UK ('11), Eurozone ('12.3Q), Australia ('12.3Q)

**Source:** Bank of Korea, US FRB, Cabinet Office of Japan, UK Office of National Statistics, ECB, Australian Bureau of Statistics

## 8. Foreign Reserves

[Unit: 100 million USD]

	2007	2008	2009	2010	2011	2012
<b>Foreign Reserve</b>	2,622	2,012	2,700	2,916	3,064	3,270
<b>Foreign Reserve as a Percentage of GDP (%)</b>	25.0	21.6	32.4	28.7	27.5	28.2
<b>Foreign reserve/current payment cover (monthly)</b>	6.7	4.4	7.8	6.5	5.6	6.2
<b>Short-term debt/foreign reserves(%)</b>	61.1	74.5	55.3	47.9	44.4	38.7

Source : Bank of Korea (ECOS; Economic Statistics System)

As of end-2012, Korea's foreign reserves amounted to USD 327 billion, thanks to continued current account surplus and steady growth in foreign investment due to successful restructuring of companies and financial system as well as improved sovereign credit rating.

### Reference : Foreign Reserves by Country

[Unit: 100 million USD]

China	Japan	Russia	Switzerland	Taiwan	Brazil	Korea	Hong Kong
34,426	12,502	5,184	5,148	4,066	3,744	3,281	3,057

Source : Bank of Korea (As of end-May, 2013)

As of end-May, 2013, Korea's foreign reserves reached USD 328.1 billion, 7th largest in the world and 4th largest in Asia.

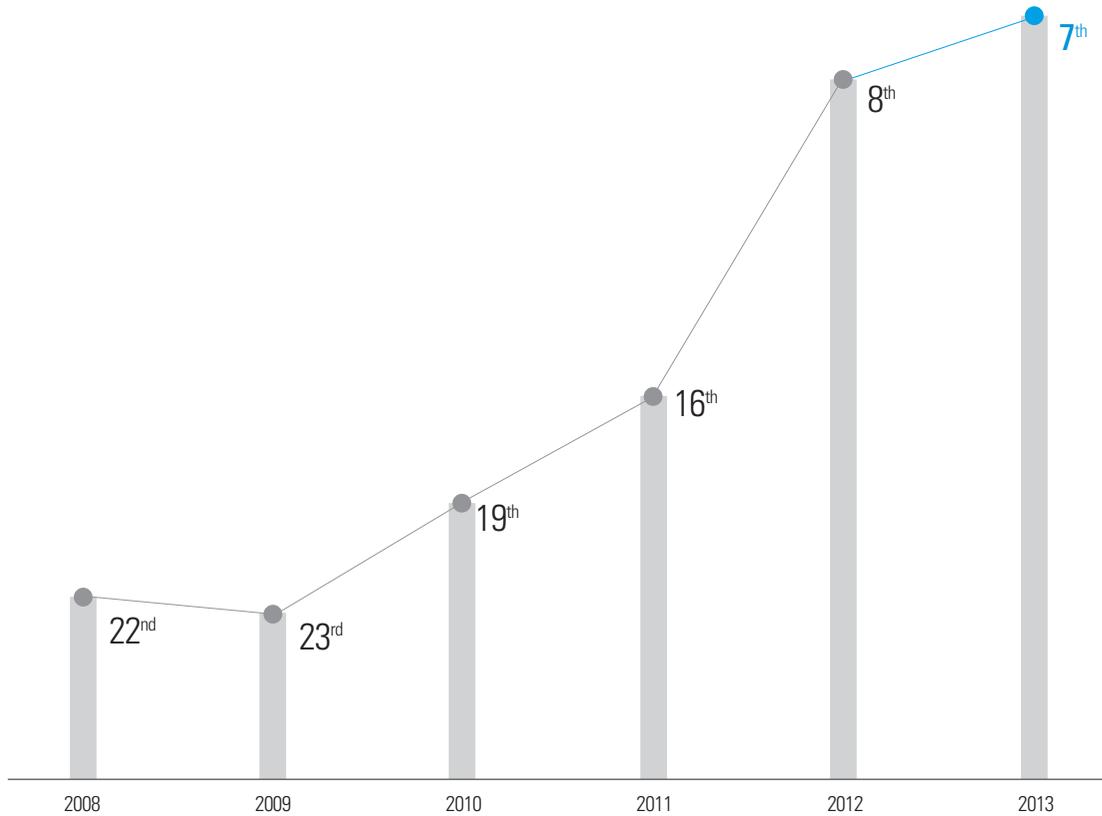
### Reference : Korea's Economic Indicators

	2007	2008	2009	2010	2011	2012	Unit
BOK base rate (end of)	5.00	3.00	2.00	2.50	3.25	2.75	% per annum
Yield on treasury bonds (3 years, average of)	5.23	5.27	4.04	3.72	3.62	3.13	
Stock Price (KOSPI)	1,712.5	1,529.5	1,429.0	1,765.0	1,983.4	1,930.4	average of
CPI change	2.5	4.7	2.8	3.0	4.0	2.2	average of, %
WON/USD (basic rate)	929.2	1,102.6	1,276.4	1,156.3	1,108.1	1,126.9	average of, KRW
Current account	217.7	32.0	327.9	293.9	260.7	431.4	100 million USD
Capital account	-23.9	1.1	2.9	-2.2	0.0	6.0	

Source : Bank of Korea

### III. Business Environment

## 1. Ease of Doing Business



**Source:** Doing Business, World Bank

Korea is the 7<sup>th</sup> easiest place in the world to do business, according to the World Bank's Doing Business 2013 study, and 4<sup>rd</sup> in East Asia.

## 2. GFCI Ranking

### The 10 Centres likely to become more significant in the next few years

Rank	Centres likely to become more significant	Number of mentions
1	Singapore	62
2	Shanghai	60
3	Busan	57
4	Hong Kong	36
5	Seoul	35
6	Gibraltar	27
7	Luxembourg	26
8	Beijing	17
9	Dubai	15
10	Shenzhen	15
11	Istanbul	11

Source: Z/Yen, The Global Financial Centres Index 14(Sep. 2013)

Busan is ranked third as a prospective financial hub following Singapore and Shanghai by GFCI (Sep.'13)

### 3. High Rate of R&D Investment

[Unit: %]

	2006	2007	2008	2009	2010
<b>Austria</b>	2.44	2.51	2.67	2.71	2.79
<b>Canada</b>	2.00	1.96	1.92	1.94	1.85
<b>Denmark</b>	2.48	2.58	2.85	3.16	3.07
<b>France</b>	2.11	2.08	2.12	2.27	2.24
<b>Germany</b>	2.54	2.53	2.69	2.82	2.80
<b>Italy</b>	1.13	1.17	1.21	1.26	1.26
<b>Japan</b>	3.41	3.46	3.47	3.36	3.26
<b>Korea</b>	3.01	3.21	3.36	3.56	3.74
<b>Netherlands</b>	1.88	1.81	1.77	1.82	1.85
<b>Norway</b>	1.48	1.59	1.58	1.76	1.68
<b>Portugal</b>	0.99	1.17	1.50	1.64	1.59
<b>Spain</b>	1.20	1.27	1.35	1.39	1.39
<b>Sweden</b>	3.68	3.40	3.70	3.60	3.39
<b>United Kingdom</b>	1.74	1.77	1.78	1.84	1.80
<b>United States</b>	2.65	2.72	2.86	2.91	2.83
<b>EU27</b>	1.76	1.77	1.84	1.92	1.91
<b>OECD Total</b>	2.26	2.29	2.36	2.41	2.38

Source: Main Science and Technology Indicators, OECD Science, Technology and R&D Statistics

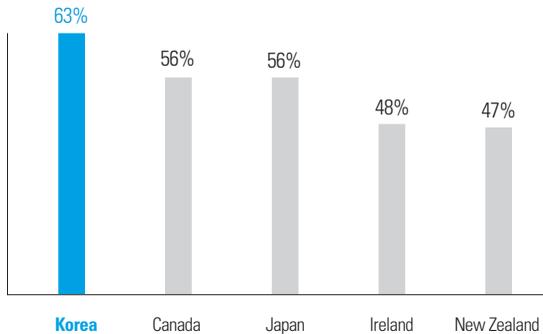
According to the 2013 data published by OECD, Korea's ratio of R&D expenditure to GDP was 3.74% in 2010, among the highest in OECD member countries. Compared to the OECD average of 2.38%, it is higher by more than 50%.

## 4. Skilled Labour

### A. Global Talents

#### College Graduation Rate - OECD Top 5

(age 25-34 in 2011)



#### Engineering College Graduates - OECD Top 5

(of every 100,000 people)



Source: OECD

Koreans are famous for their passion for education. Korea's illiteracy rate was 1.7% as of 2008. Every year, approximately 470,000 college graduates join the workforce. In the spring of 2012, Korea's college entrance rate was 72.5%, the highest on the OECD. The country's college graduation rate in the 25-34 age group is 63%. Such a strong passion for education in a stable educational system explains Korea's continuous supply of high-quality human resources, which in turn enhance the competitiveness of companies and help them constantly innovate.

## B. Human Development Index

VERY HIGH HUMAN DEVELOPMENT			VERY HIGH HUMAN DEVELOPMENT		
HDI rank		Value	HDI rank		Value
1	Norway	0.955	16	Israel	0.900
2	Australia	0.938	17	Belgium	0.897
3	United States	0.937	18	Austria	0.895
4	Netherlands	0.921	18	Singapore	0.895
5	Germany	0.920	20	France	0.893
6	New Zealand	0.919	21	Finland	0.892
7	Ireland	0.916	21	Slovenia	0.892
7	Sweden	0.916	23	Spain	0.885
9	Switzerland	0.913	24	Liechtenstein	0.883
10	Japan	0.912	25	Italy	0.881
11	Canada	0.911	26	Luxembourg	0.875
12	Korea	0.909	26	United Kingdom	0.875
13	Hong Kong, China (SAR)	0.906	28	Czech Republic	0.873
13	Iceland	0.906	29	Greece	0.860
15	Denmark	0.901	90	Brunei Darussalam	0.855

Source: UNDP (United Nations Development Programme), "2013 Human Development Report,"

In the 2013 Human Development Report by UNDP, Korea's ranking rose by 3 notches, reaching 12th in the world and 2nd within the Asian region.

### Reference

#### HDI (Human Development Index)

A composite statistic of human development around the world based on factors such as education, per capita income, and life expectancy used to rank the quality of life by countries.

### C. Programme for International Student Assessment

Reading			Mathematics			Science		
Country	Average	Overall Ranking	Country	Average	Overall Ranking	Country	Average	Overall Ranking
Shanghai - China	556	1	Shanghai - China	600	1	Shanghai - China	575	1
Korea	539	2~4	Singapore	562	2	Finland	554	2-3
Finland	536	2~4	Hong Kong - China	555	3-4	Hong Kong - China	549	2-3
Hong Kong - China	533	3~4	Korea	546	3~6	Singapore	542	4-6
Singapore	526	5~6	Taiwan	543	4~7	Japan	539	4-6
Canada	524	5~7	Finland	541	4~7	Korea	538	4~7
New Zealand	521	6~9	Liechtenstein	536	5~9	New Zealand	532	6~9
Japan	520	5~9	Switzerland	534	6~9	Canada	529	7~10
Australia	515	8~10	Japan	529	8~12	Estonia	528	7~11
Netherlands	508	8~16	Canada	527	9~12	Australia	527	7~11
Belgium	506	10~14	Netherlands	526	8~13	Netherlands	522	7~16
Norway	503	10~18	Macau - China	525	10~12	Taiwan	520	11~15
Estonia	501	11~21	New Zealand	519	12~14	Germany	520	10~15
Switzerland	501	11~21	Belgium	515	13~17	Liechtenstein	520	10~16
Poland	500	11~22	Australia	514	13~17	Switzerland	517	12~17
Iceland	500	12~19	Germany	513	13~17	United Kingdom	514	14~19
<b>OECD Average</b>	<b>493</b>		<b>OECD Average</b>	<b>496</b>		<b>OECD Average</b>	<b>501</b>	

**Note:** The PISA score has mean 500 and standard deviation 100. The rankings are in a range because they fall in the error range

**Source:** OECD "PISA 2009" Results

In the 2009 PISA assessments, Korea ranked 2nd~4th in reading, 3rd~6th in math, and 4th~7th in science among 55 participating countries. This shows that the academic achievements of Korean students stand among the top tier.

### Reference

#### PISA (Programme for International Student Assessment)

PISA is a world-wide study by the OECD. It was first performed in 1998 and then repeated every 3 years. (This study is carried out to assess the effectiveness of each countries' education system and provide useful information in formulating educational policies by testing 15-year-old school pupils' scholastic performance on reading, mathematics, and science.)

## 5. Fiscal Soundness Rankings of Korea

[Unit: Ranking]

	2006	2007	2008	2009	2010	2011	2012
<b>IMD WCY Overall Ranking</b>	32	29	31	27	23	22	22
<b>IMD Public Finance Ranking</b>	25	19	18	16	19	16	5
<b>WEF Global Competitiveness Index</b>	24	11	13	19	22	24	19
<b>WEF Government Budget Balance Ranking</b>	22	34	30	28	17	13	17
<b>WEF Government Debt Ranking</b>	-	33	40	42	58	45	55

Source: IMD 「World Competitiveness Yearbook」, WEF 「The Global Competitiveness Report」

Korea's ranking in IMD Public Finance criteria fell since '05, but bounced back after '07, reaching 5th in '12. In WEF's Government Budget Balance, Korea ranked 49th in '99 but continuously rose to 2nd in '03. However it fell again from '04, entered the top 20 since '10 and finished 17th in '12

### Reference

#### IMD WCY (World Competitiveness Yearbook)

The World Competitiveness Center under the IMD business school assesses 4 categories and 331 indicators to publish the World Competitiveness Yearbook. In 2010, UAE was added to the previous list of 58 countries, making the 2011 list 59.

#### WEF Global Competitiveness Report

WEF (World Economic Forum) has been assessing and publishing the competitiveness landscape since 1979 (WEF Global Competitiveness Report). In 2011, 142 countries were assessed on 3 categories with 12 pillars and 111 indicators.



## 6. UN E-Government Development Index Ranking of Korea

[Unit : Ranking]

	2003	2004	2005	2008	2010	2012
<b>E-Government Development Index (Overall)</b>	13	5	5	6	1	1
<b>Online Service Index</b>	18	4	4	6	1	1
<b>Telecommunication Infrastructure Index</b>	10	12	9	10	13	7
<b>Human Capital Index</b>	20	15	13	10	7	6
<b>E-Participation Index</b>	12	6	4	2	1	1

Source : UN DESA

About 190 UN Member States are ranked in the E-Government Development Index, a composite indicator based on Online Service Index, Telecommunication Infrastructure Index and Human Capital Index. Korea maintained its 1st rank position in EGDI for 2 consecutive years, which it earned in 2010.



## 7. ITU ICT Development Index (IDI)

Rank	Country	Rank	Country
1	Korea	6	Netherlands
2	Sweden	7	Luxembourg
3	Denmark	8	Japan
4	Iceland	9	United Kingdom
5	Finland	10	Switzerland

**Source:** ITU (International Telecommunication Union) Measuring the Information Society

In 2012, Korea was ranked as the number 1 country in usage and capability of IDI indicators (e.g. mobile telephony, households with computers, internet users, gross secondary and tertiary enrolment etc.). Korea was ranked 1st in the overall ranking out of 155 countries for 2 consecutive years. Ranks of Other Major Countries : US 15th, Germany 16th, Russia 38th, China 78th, India 119th

### Reference

**ICT Development Index: (Information & Communication Technology Development Index, IDI)**

A composite index published by ITU (International Telecommunication Union) based on ICT accessibility, usage, capability to measure the digital divide and compare ICT performance within and across countries.

## 8. Host Countries of International Conferences

Rank	Country	No. of Meetings	Rank	City	No. of Meetings
1	Singapore	952	1	Singapore	952
2	Japan	731	2	Brussels	547
3	United States	658	3	Vienna	326
4	Belgium	597	4	Paris	276
5	Korea	563	19	Busan	93

**Source:** UIA (Union of International Associations) 2012

According to the 'International Meetings Statistics Report for the year 2012' by UIA, Korea's rank as international conference destination rose 1 notch from the previous year (6th, 469 meetings) to 5th, and 3rd in Asia. In addition, Busan is ranked at 19th, maintaining its position from last year (15th, 108 meetings).

### Reference

UIA (Union of International Associations)

A union of various international organizations, associations and groups that provides statistics on international meetings every June

## 9. Competitiveness Analysis of Busan and Other Asian Cities

[Unit : USD]

	Busan	Singapore	Beijing	Honkong	Tokyo
Price for sites to be used for factories(m <sup>2</sup> )	383.3	153.2~765.3	165~248	321~487	1,135.5
Office rental rates(m <sup>2</sup> )	22.3~26.6	95.9	33.32	94.4~127	55
Monthly wage	2,388.4	2,487.1	333.3	1,688	2,818.40

Source : survey by the Korea Business Centers of KOTRA(2011)

Most of the manufacturing sites located in the main cities of Busan, Asia are relatively expensive, however the rent fee for offices is the lowest. The monthly wage is seen as mediocre and the number of students with tertiary education is the highest in comparison to other countries.

## 10. Corporate Income Tax Rate

Country	Central government corporate income tax rate	Country	Central government corporate income tax rate
Australia	30.0	Netherlands	25.0
Austria	25.0	New Zealand	28.0
Canada	15.0	Norway	28.0
Denmark	25.0	Poland	19.0
France	34.4	Portugal	25.0
Greece	26.0	Spain	30.0
Italy	27.5	Sweden	22.0
Japan	28.05	Switzerland	8.5
Korea	22.0	United Kingdom	23.0
Mexico	30.0	United States	35.0

Source : OECD Tax Database

Korea's corporate income tax rate in 2013 is 22.0%, lower than the OECD member countries' average, 25.4%.



## IV. Living Environment

### 1. Make Yourself at Home in Korea

#### Safe Streets and Exciting Shopping

Korea's public security is very highly regarded among the international community. It is safe to walk around at night, and there are plenty of places to shop, including department stores, discount stores, brand-name shops and traditional markets, some of which are open 24 hours a day.

#### Convenient Transportation

Korean cities feature well-developed, cheap and convenient mass transportation. Subways are available in many metropolitan cities and buses run to almost all corners of Korea. In addition, because the fair calculation system between different carriers is well established, most cities offer the public significant transfer discounts between all types of mass transportation.

#### Easy Access to High-Quality Medical Care

Because Korea offers world-class medical care at low prices, the number of people who come from the U.S., China and Southeast Asia, in particular, to receive medical care is rising steadily each year. Across the country, private clinics offer first-class medical services even in small towns. There are a great number of general hospitals in many cities across the country where foreigners don't have to worry about the language barrier.

#### Excellent Educational Environment

So far, 50 foreign and international schools have been established in Korea, including 27 for North American or British education, 16 for Chinese education and the rest for Japanese, Turkish, Mongolian and Norwegian education.

#### Culture & Leisure Life

Korea features a well-integrated cultural life drawing on the best from Korean and Western cultures. Traditional cultural performances are available in many theaters and performance facilities. Movies, local or foreign, are popular in Korea, so there is a multitude of big screens throughout the nation. World-class musicals and operas are performed in many places, particularly in Seoul. Culturally, Korea offers a more varied and rich experience than most countries. Foreign residents engage in diverse recreational and sports activities in Korea and also join clubs, which are very common in Korea and can be found easily online, including clubs for Latin dance, musical instruments, hiking, you name it. You can also relax or bike in one of Korea's many parks or along the rivers across the country, such as the Han River in Seoul, which is a great place to sail. Almost any hobby or sport can be enjoyed in Korea.



## 2. Comparison of Everyday Life in Korea with Other Major Asian Countries

### A. Apartment Rental Rate/ Medical & Transportation System

[Unit : USD]

	Busan	Singapore	Beijing	Hong Kong	Tokyo
<b>Apartment rental rates</b>	559~2,607	5,084~6,257	980	5,128	7,634
<b>Medical system</b>	The national medical insurance system is open to foreign citizens' subscriptions.	All people should subscribe to Medisave.	Foreign citizens are not allowed to subscribe to the national medical insurance system.	There is no national medical insurance system, but they can use national hospitals at reasonable rates.	The national medical insurance system is available.
<b>Transportation system</b>	Well-developed public transportation system	well-developed public transportation system	Large number of subway trains and intra-city buses	Well-developed network of public transportation (subways, intracity, buses, and trams)	Well-developed network of public transportation, but charges are very high.
<b>Taxi</b>	2.6	2.35	1.63	2.58	7.13
<b>Subway</b>	1	0.94~1.02	0.33	0.51	1.61
<b>Intra-city bus</b>	1	0.94~1.02	0.16	0.41	2.01

**Note** : Standard apartment 150sm, (Japan 125sm) semi-furnished, downtown, above-standard quality

**Source** : Survey by the Korea Business Centers KOTRA 2013.6

Apartment rent in Busan varies greatly depending on region, but it is relatively cheap when compared to other Asian cities. Busan also has great public transportation including subways and buses.

**B. Wage/ Educational Expenses/ Medical Costs/ Food**

[Unit : USD]

	Busan	Singapore	Beijing	Hong Kong	Tokyo
<b>Average Starting Salary for Undergraduates</b>	2,398.46	1,982.08 ~2,378.50	487.80	1,709	2,065.51
<b>Tuition for 1st Grader at a Foreign School (mid to top-tier school)</b>	14,703.18 ~22,973.72	16,173.79 ~19,186.55	16,260.16	12,564.99	23,500.51
<b>Medical Insurance Premium</b>	3,501.28 ~4,075.44	7,301.99	1,951.22	5,791.50	6,427.80
<b>Hamburger (McDonald's Big Mac)</b>	3.48	4.04	2.68	2.56	3.28

Source : Survey by the Korea Business Centers KOTRA 2013.6

Starting salary for undergraduates : Undergraduate degree from mid to top-tier university, English-speaker, Starting monthly income (Singapore), Undergraduate degree from mid to top-tier university, English-speaker, Foreign company starting monthly salary (Busan, Beijing, Hong Kong)  
 Average starting monthly income of men, Ministry of Health, Labor and Welfare (Tokyo)  
 Medical Insurance Premium : 4-person family, Full overage excluding dental care, 1 year (Singapore, Beijing, Hong Kong)  
 Annual income around USD 51,177, 4-person family, 1 year National Health Insurance premium (Tokyo)



### 3. Number of Foreigners Living in Korea

[Unit : Individuals]

	2008	2009	2010	2011	2012
<b>Foreigners Living in Korea</b>	1,158,866	1,168,477	1,261,415	1,395,077	1,445,103
<b>Long-term</b>	895,464	920,887	1,002,742	1,117,481	1,120,599
<b>Short-term</b>	263,402	247,590	258,673	227,596	324,504

**Source:** Korea Immigration Service Statistics

As of end-2012, the number of foreigners living in Korea reached 1,445,103, showing a rise of 3.6% (50,026 individuals) compared to 2011. Thanks to the rise in foreign tourists and foreign experts with the help of policies to attract global talents, the number has been steadily increasing.



## 4. Foreign Schools in Korea and Educational Institutions in Busan

### A. Educational Facilities for Foreigners

[As of Sept. 2013]

	Seoul	Gyeonggi province	Busan	Other areas	Total
<b>Schools teaching in English</b>	14	6	2	6	28
<b>Schools teaching in Chinese</b>	3	2	2	9	16
<b>Schools teaching in Japanese</b>	1	-	1	-	2
<b>Others</b>	4	-	-	-	4
<b>Total</b>	22	8	5	15	50

Source : Ministry of Education

There are 50 foreign schools in Korea. 28 are teaching in English, while 16 are Chinese schools and 2 are Japanese schools, and the other 4 are Turkish, Mongolian or Norwegian.

### B. Foreign Schools in Busan

[As of Sept. 2013]

No.	Name of School	Address	Tel.	Language	Curriculum
1	Busan Foreign School	45 Daecheon-ro 67 beon-gil, Haeundae-gu	747-7199	Eng.	K,E,M,H
2	Busan International Foreign School	50 Gijang-daero, Gijang-eup, Gijang-gun	742-3332	Eng.	K,E,M,H
3	Overseas Chinese Elementary School	43 Daeyeong-ro 239 beon-gil, Dong-gu	468-6893	Chinese	K,E
4	Overseas Chinese High School	61 Daeyeong-ro 243 beon-gil, Dong-gu	467-0275	Chinese	M,H
5	Busan Japanese School	11 Millak-ro 19 beon-gil, Suyeong-gu	753-4166	Jap	E,M

Note : Kindergarten: K Elementary School: E Middle School: M High School: H

Source : Ministry of Education

## 5. Number of Foreign Visitors

[Unit : 1,000 individuals]

	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Foreign Visitors</b>	5,818	6,023	6,155	6,448	6,891	7,818	8,798	9,795	11,140
<b>Global Ranking</b>	35	34	35	35	34	28	28	-	-
<b>Growth Compared to Previous Year</b>	22.4	3.5	2.2	4.8	6.9	13.4	12.5	11.3	13.7

**Source:** Korea Tourism Organization 「Foreigners Entering Korea」

### Reference

**Foreign Visitors :** A figure subtracting the number of foreigners entering Korea with Diplomat, Visit / Cohabitation, Resident, Soldier, Permanent Resident status (Department of Justice, 「Foreigner Entry by Status of Stay」) from the total number of foreigners entering Korea.

**Global ranking :** Provided only as a reference, since it is a rough figure published by the Korea Tourism Organization based on WTO's statistics.

The number of foreign visitors has been rising every year. In particular, Korea has been showing a 2-digit growth since 2009 with the Korean culture gaining traction and the spread of the Korean wave.



## 6. World Heritages in Korea

[Unit : piece]

	2006	2007	2008	2009	2010	2011	2012	2013
<b>Total</b>	14	17	17	24	28	33	34	36
<b>World Heritage</b>	7	8	8	9	10	10	10	10
<b>Memory of the World</b>	4	6	6	7	7	9	9	11
<b>Intangible Cultural Heritage of Humanity</b>	3	3	3	8	11	14	15	15

**Source:** Cultural Heritage Administration

Starting with the registration of 3 properties as World Heritages in 1995, Korea has been expanding its list to Memory of the World and Intangible Cultural Heritage as well. As of 2013, Korea holds a total of 36 properties registered at UNESCO heritages, including 10 World Heritage sites, 11 Memory of the World documents and 15 Intangible Cultural Heritage of Humanity. Korea is boasting its culture through continuous registration on UNESCO heritages list and by preserving and managing its heritages efficiently.

### Reference

#### World Heritage

- Properties listed on the UNESCO World Heritage, founded with the ‘Convention Concerning the Protection of the World Cultural and Natural Heritage’
- 3 types of heritage includes cultural, natural, and mixed, only limited to tangible properties

#### Memory of the World

- Documents that holds universal value and listed on the ‘Memory of the World’ Program
- Unlike World Heritage sites and Intangible Cultural Heritage, it is not based on a convention among countries but rather a initiative of UNESCO

#### Intangible Cultural Heritage of Humanity

- Heritage listed on UNESCO’s Lists of Intangible Cultural Heritage based on the ‘Convention for the safeguarding of Intangible Cultural Heritage’
- Established in 2005, merging with the previous project, ‘Masterpieces of the Oral and Intangible Heritage of Humanity’



## V. Details of BIFC

### 1. Location

Area including 1229-2 Munhyeon-dong, Nam-gu, Busan/ 102,352m<sup>2</sup>

### 2. Composition

**Mixed Use Development** : Phased development according to project demand

[Unit : million KRW/m<sup>2</sup>]

	Phase 1	Phase 2	Phase 3
Land Area	24,856 (7,519 pyeong)	12,276 (3,713 pyeong)	10,293 (3,114 pyeong)
Purpose	office facilities, sales facilities * 8 institutions including Korea Exchange	studio apartments, commercial facilities and other finance related institutions	
Size	197,169m <sup>2</sup> , 63 fl.	114,910m <sup>2</sup> , 25 fl.	TBD (survey on demand , review on project scale under way)
Period	'08. 4 ~ '14. 6	'11. 4 ~ '15. 1.	
Expenses	KRW 553.9 billion	KRW 317 billion	
Project Operator	BIFC PFV	BIFC PFV → BFG (under way)	BIFC PFV

#### Individual Development Project

Korea Technology Finance Corporation (2 underground floors, 15 floors above ground) : break ground (Feb. '09), complete (May '11)

Busan Bank (2 underground floors, 23 floors above ground) : break ground (Dec. '11), complete (Jun. '14)

Bank of Korea Busan Headquarters (1 underground floor, 4 above ground floors) : break ground (Jan. '11), complete (Jun. '13)

### 3. BIFC Incentives for Foreign Financial Institution

Division	Qualifying conditions for the benefits	Details for benefits		
		Founding regional headquarters or branches	Transfer regional headquarters or branches (Foreign country to Busan)	Transfer branches (Suburban to Busan)
<b>Corporate tax</b>	invest over 2 billion KRW and employ over 10 regular employees	reduction of 100% for 3 years, and 50% for the following 2 years		Not applicable
<b>Property tax</b>	acquire land and the new building constructed in the BIFC district	exemption for 3 years since the date of formation of tax liability		Not applicable
<b>Acquisition tax</b>	acquire land and the new building constructed in the BIFC district	reduction of 50% on acquisition until Dec. 31, 2014 only		Not applicable
<b>Settlement subsidy</b>	headquarter or head office 3 countries covering	50% of the cost of purchases of building or lease of the space, limit of 5 billion KRW regional headquarters only		Not applicable
<b>Employment subsidy</b>	employ over 10 local regular employees for the past 3 months	limit of 600,000 KRW per person, limit of 200 million KRW in 6 months		
<b>Training subsidy</b>	employ over 10 local regular employees for the past 3 months	limit of 600,000 KRW per person, limit of 200 million KRW in 6 months		
<b>Facility installation subsidy</b>	headquarter or branch employing over 10 regular local employees	limit of 10% of facility installation subsidy disbursed, limit of 100 million KRW		Not applicable

## VI. Regulations and Policies

### Standard Procedure for Business Licensing

<p><b>Application filing</b></p>	<ul style="list-style-type: none"> <li>• FSC / FSS : Written Application</li> <li>- Banks : (82-2)-3145-8023</li> <li>- Securities : (82-2)-3145-7571</li> <li>- Asset Management : (82-2)-3145-6705</li> <li>- Insurance : (82-2)-3145-7452</li> </ul>
<p><b>Disclosure Application and Market Feedback</b></p>	<ul style="list-style-type: none"> <li>• FSC : disclose date of application, the applicant, purpose and details of application and collect market feedback</li> </ul>
<p><b>Review Application</b></p>	<ul style="list-style-type: none"> <li>• FSC / FSS : Conduct review, request for supplementary material if necessary</li> <li>• FN Hub Korea : Provide support by arranging meetings with departments in charge of review</li> </ul>
<p><b>FSC Approval &amp; Notification</b></p>	<ul style="list-style-type: none"> <li>• FSC / FSS : Conduct review, request for supplementary material if necessary</li> <li>• FN Hub Korea : Provide support by arranging meetings with departments in charge of review</li> </ul>
<p><b>* Consultation</b></p>	<ul style="list-style-type: none"> <li>• Fn Hub Korea : provides financial system and regulatory information including procedure and requirements for license approval, authorization, registration and reporting, etc.</li> </ul>

• For further information : [www.fnhubkorea.kr/](http://www.fnhubkorea.kr/)

• The Financial Supervisory Service (FSS) is South Korea's integrated financial regulator that examines and supervises financial institutions under the broad oversight of the Financial Services Commission (FSC), the government regulatory authority staffed by civil servants.

• the FSC gives guidance to and supervises the FSS regarding matters managing the FSS such as amendment of the Articles of incorporation and approval of budget and financial statements.



## VII. Financial Hub Korea

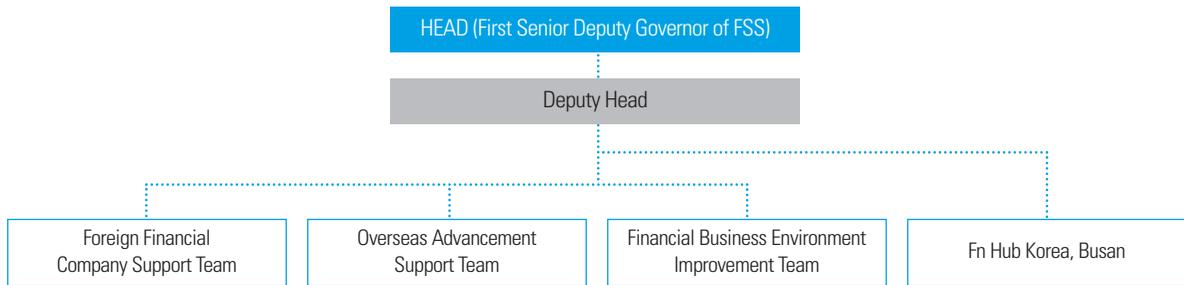
### 1. Overview

Financial Hub Korea was established on September 9, 2008, under the creation and development of Financial Hub Act to assist foreign financial firms already active or starting a business in Korea and Korean financial companies expanding overseas.

Financial Hub Korea works closely with government agencies and authorities to remove business impediments that financial institutions can encounter in Korea.

### 2. Organization

- Fn Hub Korea consists of the head, deputy head, three teams (Foreign Financial Company Support Team, Overseas Advancement Support Team, Financial Business Environment Improvement Team), and the Busan office(Fn Hub Korea, Busan).
- Each team is staffed with professionals with expertise relevant fields and foreign language skills.
- Fn Hub Korea operates Working groups in cooperation with financial industry associations and financial companies to resolve supervisory issues and regulatory concerns.



### 3. Main Functions

Team	Main Functions	Contact
<p><b>Foreign Financial Company Support Team</b></p>	<ul style="list-style-type: none"> <li>- Assist foreign financial companies with licensing and approval</li> <li>- Handle foreign financial companies' complaints and suggestions</li> <li>- Organize annual IR to promote financial centers and attract foreign financial companies to Korea</li> </ul>	<p>(82-2)-3145-7162</p>
<p><b>Overseas Advancement Support Team</b></p>	<ul style="list-style-type: none"> <li>- Assist domestic financial companies with licensing and approval abroad</li> <li>- Deal with domestic financial companies' complaints and suggestions</li> <li>- Provide updates on financial regulations and systems of foreign countries</li> </ul>	<p>(82-2)-3145-7164</p>
<p><b>Financial Business Environment Improvement Team</b></p>	<ul style="list-style-type: none"> <li>- Plan and conduct research on the establishment of financial centers in Korea</li> <li>- Improve living conditions for foreigners in Korea in immigration and visa issues</li> <li>- Assist foreign financial experts find a job in the Korean financial sector</li> </ul>	<p>(82-2)-3145-7156</p>
<p><b>Fn Hub KOREA, Busan</b></p>	<ul style="list-style-type: none"> <li>- Support the establishment of a financial center in Busan</li> <li>- Assist foreign financial companies start a business in Busan and domestic companies expand overseas</li> <li>- Deal with financial companies' complaints and suggestions</li> </ul>	<p>(82-51)-606-1781</p>

For Chinese Service : (82-2)-3145-7167

