



The Korea Fund, Inc. (NYSE: KF)

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The Korea Fund, Inc. Revises Methodology for Calculating Performance

NEW YORK, October 12, 2009 (BUSINESS WIRE) – The Korea Fund, Inc. (the “Fund”) (NYSE: KF) is issuing this press release to provide further clarification regarding the methodology used in computing performance reported by the Fund, as well as the different methodology used by certain third-party financial reporting services.

On December 22, 2008, the Fund declared a capital gain distribution of \$90.30 per share, payable on January 29, 2009, with an ex-dividend date of December 29, 2008. The distribution was to be paid entirely in Fund shares to a stockholder, unless the stockholder elected to receive the distribution in cash. However, the aggregate amount of cash to be distributed to all stockholders was capped at 20% of the aggregate dollar amount of the total distribution. On January 29, 2009, based on cash elections made by stockholders, the Fund paid the capital gain distribution 80% in Fund shares and 20% in cash. The date for determining the price at which shares would be issued in the distribution was January 26, 2009 (the “Pricing Date”).

The Fund recorded the entire distribution on the ex-dividend date in December. Based on the assumption that cash elections would exceed the 20% cap, 80% of the distribution was deemed to be reinvested in Fund shares on the ex-dividend date for accounting purposes. The Fund also recorded on each date between the ex-dividend date and the Pricing Date the estimated number of Fund shares to be issued for the 80% of the distribution payable in shares based on that day’s market price of the Fund’s shares. This estimated number of shares was used to calculate the Fund’s daily net asset value (NAV) reported during this period (including December 31, 2008). Due to the significant decrease in the Fund’s market price during the period from December 31, 2008 to January 26, 2009, the estimated number of shares projected to be issued on the payable date changed significantly. At December 31, 2008, based on the Fund’s market price of \$34.42, 5,117,844 shares were projected to be issued in connection with the distribution. On the payable date, January 29, 2009, the Fund actually issued 8,007,555 shares based on the market price of \$21.99 on the Pricing Date. This difference in market price (\$34.42 versus \$21.99) and the resulting share difference (5,117,844 projected versus 8,007,555 actual), as well as the required accounting treatment to record the distribution on the ex-dividend date rather than after the Pricing Date when the number of shares to be issued would be known, caused significant differences between both (i) NAV as computed and reported on December 31, 2008 based on the accounting

described above and NAV as computed based on actual reinvestment of the dividend and (ii) the number of Fund shares deemed to be received by a stockholder in the distribution if reinvestment of the distribution were to occur on the ex-dividend date as compared to reinvestment on the Pricing Date (i.e., the date on which the number of Fund shares to be received by shareholders was actually determined). In the judgment of the Fund's Board and adviser, (i) using an adjusted NAV for December 31, 2008 to calculate performance that assumes no distribution is recorded until after the Pricing Date creates a performance result that is more reflective of true performance for performance periods beginning or ended on December 31, 2008 and (ii) using the Pricing Date as the time for recording reinvestment is more reflective of true performance for performance periods that include December 2008 or January 2009. Consequently, in order to calculate a total return figure that is representative, the Fund has made two adjustments to the methodology it uses to calculate NAV total return. First, the Fund has adjusted its NAV on December 31, 2008 for purposes of calculating performance by using the actual number of shares outstanding on such date (excluding any estimate of shares to be issued upon reinvestment). Second, NAV total returns for all periods that include December 2008 and/or January 2009 have been calculated assuming that the capital gain distribution was paid entirely in newly issued Fund shares priced at the Fund's NAV at the close of business on the Pricing Date. The adjusted methodology tracks actual events more closely, removes the dilutive effect of the significant increase following December 31, 2008 in the number of Fund shares to be issued in the distribution, and results in a performance number that approximates more closely the actual change in the value of the Fund's investment portfolio during the affected period(s). As a result of these two adjustments, the NAV for December 31, 2008 for purposes of calculating performance by the Fund was \$ 134.33, and the performance for one month period ended January 31, 2009 was -12.92%.

Because the methodology for calculating market price performance is independent of the accounting treatment used in connection with the capital gains distribution, the Fund has not adjusted its market price performance based on the methodology discussed above. Consequently, the market price returns reported by the Fund may not be closely correlated to the NAV returns reported by the Fund.

Third party financial reporting services calculate NAV performance based on the reported fund NAVs and assume that a distribution is entirely reinvested on the ex-dividend date. As indicated above, this will lead to an unrepresentative performance calculation for periods that include December 2008 or January 2009. The Fund's performance is available at www.thekoreafund.com.

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The Korea Fund, Inc. is a non-diversified, closed-end investment company that seeks long-term capital appreciation through investments in securities, primarily in equity securities, of Korean companies. Its shares are listed on the New York Stock Exchange under the symbol "KF."

RCM Capital Management LLC and RCM Asia Pacific Limited are the Fund's investment manager and sub-adviser, respectively. Investment in closed-end funds involves risks. Additional risks are associated with international investing, such as currency fluctuation,

government regulations, economic changes and differences in liquidity, which may increase the volatility of your investment. Foreign security markets generally exhibit greater price volatility and are less liquid than the U.S. market. Additionally, this Fund focuses its investments in certain geographical regions, thereby increasing its vulnerability to developments in that region. All of these factors potentially subject the Fund's shares to greater price volatility. The net asset value of the Fund will fluctuate with the value of the underlying securities. Closed-end funds trade on their market value, not net asset value, and closed-end funds often trade at a discount to their net asset value.

The Fund's daily New York Stock Exchange closing price and net asset value per share, as well as other information, including updated portfolio statistics and performance, are available at www.thekoreafund.com or by calling the Fund's shareholder servicing agent at (800) 331-1710.

Statements made in this release that look forward in time involve risks and uncertainties and are forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such risks and uncertainties include, without limitation, the adverse effect from a decline in the securities markets or a decline in the Fund's performance, a general downturn in the economy, competition from other companies, changes in government policy or regulation, inability to attract or retain key employees, inability to implement its operating strategy and/or acquisition strategy, and unforeseen costs and other effects related to legal proceedings or investigations of governmental and self-regulatory organizations.

This announcement is not an offer to purchase or the solicitation of an offer to sell shares of the Fund or a prospectus, circular or representation intended for use in the purchase or sale of Fund shares.

Fund shares are not FDIC-insured and are not deposits or other obligations of, or guaranteed by, any bank. Fund shares involve investment risk, including possible loss of principal.