

Company Registration No. 2693038

Kexim Bank (UK) Limited

Report and Financial Statements

31 December 2014

Kexim Bank (UK) Limited

Report and financial statements 2014

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Kexim Bank (UK) Limited

Report and financial statements 2014

Officers and professional advisers

Directors

S S Ryoo (Chairman and Managing Director)

J S Kang

C P J Fitzgibbon

H Jeung

J Kim

Registered Office

Moorgate Hall

155 Moorgate

London

EC2M 6XB

Auditor

Deloitte LLP

Chartered Accountants

Hill House

1 Little New Street

London

EC4A 3TR

Kexim Bank (UK) Limited

Strategic report

Principal activities

The principal activity of Kexim Bank (UK) Limited ('the Bank') is wholesale banking. The Bank is a wholly-owned subsidiary of the Export-Import Bank of Korea. The Export-Import Bank of Korea ('the parent bank') is 100% owned by the Korean government and is solely mandated to promote international trade and investment by providing comprehensive export credit and guarantee programmes to support Korean enterprises in conducting overseas business. The Bank was established in 1992 with the objective of supporting and complementing the parent bank's global network. In line with this objective, its main activities revolve around providing credit facilities such as loans to corporates which have a Korean linkage.

Review of the business, for 2014

Due to the global economic slowdown and deflation fears during 2014, the central banks of major countries maintained historically low interest rates, which reduced the interest margin for the Bank. However, the Bank has been able to expand its asset size on the foundation of the Bank's strong customer base as well as its prudent approach to business. Moreover, the Bank was successful in establishing other sources of income besides loans and securities. In 2014, the Bank acted as an arranger in the Seadrill project and as a joint lead manager when the Parent Bank issued Sterling bonds.

However, the operating profit has decreased slightly due to the reduction in net interest margin. In addition, the Bank made a specific provision on a loan to a solar energy company, which suffered financial distress due to the prolonged slump of the renewable energy sector. As a result, the net income in 2014 decreased significantly in comparison to last year.

Throughout the year, the Bank continued to establish new sources of funding with third party financial institutions in order to reduce its reliance upon the Parent Bank to enhance its self-sufficiency. As at the year-end, the third party funding ratio was over 60%.

Finally, the Bank has continued to refine its robust risk management framework to manage liquidity and capital resources in accordance with the regulatory authorities' requirements. As part of its portfolio risk management, the amount of each new loan or securities has been decreased to minimise the effect from impairment.

Principal risks and uncertainties

The Board, in conjunction with the Senior Management of the Bank, has established comprehensive policies and procedures in order to manage and mitigate the risks and uncertainties facing the Bank. The ongoing implementation of such policies is monitored by management and through an independent internal audit function provided by the parent company. The principal risks facing the Bank are liquidity risk, credit risk, market risk and operational risk. These risks have been monitored on an on-going basis during the period and the Bank has policies in place to mitigate these risks to enable it to continue as a going concern. Refer to note 2 of the Financial Statements for details.

Going Concern Basis

In accordance with best principles of corporate governance it is incumbent upon the Management, the Audit and Risk Committee and the Board of Directors to review the status of the Bank as a "Going Concern" and to make a statement to that effect in this Report.

From the directors' assessment of the Bank's business there are, in their opinion, four considerations which are the principal indicators of the Bank's ability to continue as a going concern. These are:

- a) The Bank's capital resources exceed the PRA guidelines and are more than adequate for planned business activities.

Kexim Bank (UK) Limited

Strategic report (continued)

- b) Having conducted stress testing, the directors are satisfied that the Bank has adequate liquidity to fund ongoing lending activities and to satisfy regulatory requirements for the foreseeable future. The stress testing did not include the borrowing of additional funds from the parent bank, the Export-Import Bank of Korea, but, in practice, if the Bank was short of funds, the Export-Import Bank of Korea has provided notice to the regulators that it would act as the Bank's lender of last resort.
- c) The Bank maintains a credit portfolio of sufficient quality such that the level of losses is unlikely to threaten the capital adequacy of the Bank.
- d) The directors are satisfied with the ability of the Bank to conduct its business and generate sufficient revenues to support its business, even in the current difficult market conditions.

The directors believe that the Bank is a viable business and that it is appropriate to draw up the financial statements on the going concern basis.

Approved by the Board of Directors
and signed on behalf of the Board



S S Ryoo
Managing Director

20 Feb 2015

Kexim Bank (UK) Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2014.

Financial risk management objectives and policies

The activities of the Bank expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Bank's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives to manage these risks. The Bank does not use derivative financial instruments for speculative purposes. Please refer to notes 21-22.

Directors indemnities

The Bank has made qualifying third party indemnity provisions for the benefit of its directors during the year and remain in force at the date of this report.

Future Developments

It has been the long-standing business philosophy of the Bank to adopt a prudent approach to business, investing in high quality paper of, and lending to, well-known and highly respected corporate entities with sound credit ratings provided by the main credit rating agencies. The Bank has no plans to change that philosophy. Following this business approach the Bank is seeking to substantially increase its portfolio of earning assets and is also researching the marketplace to enhance its fee earning strategies.

Results and dividends

The Bank, herewith, reports a profit for the year amounting to £73,386 (2013: £1,456,420) as shown on page 9 of the Financial Statements.

At this time no dividend has been declared or paid for 2014 (2013: £145,642).

Events since the balance sheet date

There have been no events that have occurred since the balance date that require disclosure in these financial statements.

Directors

The directors who served during the year, except as noted, were as follows:

S S Ryoo (Chairman and Managing Director appointed on 21 February 2014)

J S Kang

C P J Fitzgibbon (Appointed on 17 March 2014)

R N Longo (Resigned on 6 September 2014)

S C Kim (Appointed on 10 March 2014 and resigned on 11 July 2014)

H Jeung (Appointed 2 October 2014)

J Kim (Appointed 2 October 2014)

Y K Lyoo (Resigned on 11 July 2014)

Political and charitable contributions

There were no political and charitable donations made during the year (2013: £nil).

Principal risks and uncertainties

See note 2 to the Financial Statements.

Kexim Bank (UK) Limited

Directors' report (continued)

Representation to the auditor

Each person, who is a director at the date of approval of this report, confirms that:

- so far as the director is aware, there is no relevant audit information of which the Bank's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Bank's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Reappointment of the auditor

Deloitte LLP have expressed their willingness to continue in office as auditor.

Approved by the Board of Directors
and signed on behalf of the Board



S S Ryoo
Managing Director

20 Feb 2015

Kexim Bank (UK) Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Kexim Bank (UK) Limited

We have audited the financial statements of Kexim Bank (UK) Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Bank's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Bank's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent auditor's report to the members of Kexim Bank (UK) Limited (continued)

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Bank's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

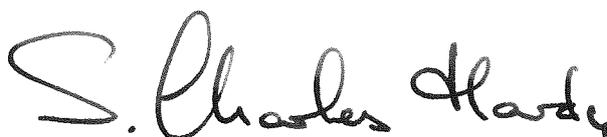
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters upon which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Simon Hardy FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

20 February 2015

Kexim Bank (UK) Limited

Profit and Loss Account Year ended 31 December 2014

	Notes	2014 £	2013 £
Interest receivable:			
Interest receivable and similar income arising from debt securities		5,133,728	5,537,140
Other interest receivable and similar income		5,065,636	6,017,923
		<u>10,199,364</u>	<u>11,555,063</u>
Interest payable	4	<u>(7,321,741)</u>	<u>(7,934,993)</u>
Net interest income		2,877,623	3,620,070
Fees and commissions receivable		200,099	180,092
Fees and commissions payable		(29,064)	-
Dealing profits / (loss)		32,219	(98,812)
Other operating income		<u>(11,166)</u>	<u>15,619</u>
Total operating income	3	3,069,711	3,716,969
Administrative expenses	5	<u>(1,516,555)</u>	<u>(1,647,322)</u>
Depreciation	6	(94,515)	(137,290)
Provisions	11	<u>(1,364,587)</u>	<u>21,178</u>
Profit on ordinary activities before tax	6	94,054	1,953,535
Tax on profit on ordinary activities	7	<u>(20,669)</u>	<u>(497,115)</u>
Profit on ordinary activities after tax	19	<u><u>73,385</u></u>	<u><u>1,456,420</u></u>

There were no recognised gains or losses other than the profit for the years ended 31 December 2013 and 2014 and accordingly no statement of recognised gains and losses has been presented.

Kexim Bank (UK) Limited

Balance Sheet as at 31 December 2014

	Notes	2014 £	2013 (Restated per Note 1) £
Fixed assets			
Tangible fixed assets	14	100,202	149,217
Loans and advances to banks (due after one year)	9,11	-	-
Loans and advances to customers (due after one year)	10,11	46,304,690	31,367,823
Debt securities: private placement bonds (due after one year)		15,909,820	8,990,751
Debt securities (due after one year)	12	104,619,020	69,755,902
		<u>166,933,732</u>	<u>110,263,693</u>
Current assets			
Loans and advances to banks (due within one year)	9,11	9,634,889	21,842,673
Loans and advances to customers (due within one year)	10,11	82,530,789	77,774,912
Debt securities: private placement bonds (due within one year)		3,181,964	-
Debt securities (due within one year)	12	19,448,378	45,890,645
Corporation tax receivable		22,002	
Deferred tax	8	260,812	236,296
Equity shares	11,13	38	38
Prepayments and accrued income		3,840,025	2,942,624
Cash and balances at banks		2,585,599	1,527,170
Creditors: amounts falling due within one year			
Deposits by banks	15	(162,393,111)	(91,646,884)
Securities sold under agreement to repurchase	16	(14,793,582)	-
Corporation tax payable		-	(213,834)
Accruals and other liabilities		(1,109,585)	(1,489,346)
		<u>(56,791,782)</u>	<u>56,864,293</u>
Net current assets			
Creditors: amounts falling due after one year			
Deposits by banks	15	(64,005,181)	(129,203,822)
Securities sold under agreement to repurchase	16	(3,873,869)	-
Subordinated loan	17	(13,478,819)	(9,067,827)
		<u>28,784,081</u>	<u>28,856,337</u>
Net assets			
Shareholders' Funds			
Called up share capital	18	20,000,000	20,000,000
Profit and loss account	19	8,784,081	8,856,337
		<u>28,784,081</u>	<u>28,856,337</u>
Total Liabilities and Shareholders' Funds			
		<u>28,784,081</u>	<u>28,856,337</u>

Kexim Bank (UK) Limited

Balance Sheet (continued) as at 31 December 2014

These financial statements were approved by the Board of Directors, and authorised for issue on

20 Feb 2015.

Signed on behalf of the Board of Directors

A handwritten signature in black ink, appearing to read 'S S Ryoo', written in a cursive style.

S S Ryoo
Director

Company No. 2693038

Kexim Bank (UK) Limited

Notes to the accounts Year ended 31 December 2014

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Bank's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with UK law and Accounting Standards (UK Generally Accepted Accounting Practice (GAAP)).

Under the provisions of FRS 1 (Revised) "Cash Flow Statements", the Bank has not prepared a cash flow statement as it is a wholly owned subsidiary of the Export-Import Bank of Korea which produces a consolidated cash flow statement that incorporates the results of the Bank. The financial statements of the Export-Import Bank of Korea are publicly available as described in note 23.

For the reasons enumerated within the strategic report on page 2 of the financial statements the Bank continues to adopt the going concern basis in the preparation of its annual reports and accounts.

Certain balance sheet items have been reclassified to comply with the presentation adopted in the current year.

Income recognition

Interest income is recognised in the profit and loss account as it accrues, other than interest of doubtful receipt, which is credited to a suspense account and excluded from interest income. The closing balance on the suspense account is netted in the balance sheet against accrued interest receivable or, as the case may be, the amount debited to the borrower. Suspended interest is written off when there is no longer any realistic prospect of it being recovered.

Fees and commissions relating to advances are recognised on an accrual basis.

Income and expense denominated in foreign currencies is translated into sterling at the closing rate on the day of the transaction.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated to sterling at year end rates of exchange. Translation differences are dealt with in the profit and loss account.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over the estimated useful lives as follows:

Leasehold improvements	-	period of lease
Fixtures and fittings	-	period of lease
Office equipment	-	3 years
Computer hardware and software	-	3 years
Computer hardware — mainframe	-	5 years
Software licences	-	Period of licence
Motor vehicles	-	3 years

Loans and advances to customers and banks

Loans and advances are valued at cost less provision for any permanent diminution in value.

Debt securities

Debt securities which are intended to be held to maturity are disclosed as fixed asset (investment) securities. Debt securities are included in the balance sheet at cost or at a permanent diminution in value if required. Gains or losses on disposition of the investment securities are reported in the profit and loss account as other

Kexim Bank (UK) Limited

Notes to the accounts Year ended 31 December 2014

1. Accounting policies (continued)

operating income. Income on these instruments is recognised on a straight line basis up to the date of their redemption.

Specific and general provisions

Specific loan loss provisions are made by specific identification of potential losses on the collection of certain loans and advances, and shares held in lieu of debt. When establishing specific provisions, management consider past and expected credit losses, business and economic conditions, their knowledge of the borrower and any other relevant factors.

General provisions are raised in respect of losses which, although not specifically identified, management considers to be inherent in any portfolio of loans, advances, and securities. The general provision is based on risk characteristics of the loan portfolio and an evaluation of historical levels of inherent risk. Its continuing appropriateness is regularly reviewed.

Securities sold under agreement to repurchase

Where securities are sold subject to a commitment to repurchase them, they remain on balance sheet. Proceeds received are recorded as a liability on balance sheet under "securities sold under agreement to repurchase".

Leasing

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Pensions

The Bank operates a defined contribution pension arrangement. Members of staff are eligible for a contribution by the Bank to their individual personal pension schemes. All amounts paid are charged to profit and loss account as they become payable in accordance with the rules of the scheme. There were no unpaid amounts at 31 December 2014 (2013 £nil).

Current and deferred tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on material timing differences, at the rates of taxation anticipated to apply when these differences crystallise, arising from the inclusion of items of income and expenditure in taxation computations in periods different from those for which they are included in the financial statements. Deferred tax is measured on a non-discounted basis.

Derivatives

The Bank undertakes hedging transactions (OTC derivatives: interest rate swaps and cross currency swaps) to manage its interest rate or exchange rate risk and these transactions are valued on an equivalent basis to the assets, liabilities or positions which they are hedging. Any profit or loss is recognised at the same time as any profit or loss arising from the assets, liabilities and positions which they are hedging.

Contingent liabilities

The Bank holds contingent liabilities which are pledged as collateral for swap transactions. The value of the contingent liabilities is disclosed in note 22 to the Financial Statement.

Kexim Bank (UK) Limited

Notes to the accounts Year ended 31 December 2014

2. Risk management and financial instruments

Through its normal operations the Bank is exposed to a number of risks, the most significant of which are liquidity, credit, market and operational. The Senior Management, in reporting to the Board, is responsible for the day to day management of the Bank's balance sheet in relation to capital ratios, structural hedging and liquidity. During the year, the Senior Management also prepared the Individual Liquidity Adequacy Assessment (ILAA), Internal Capital Adequacy Assessment Process (ICAAP) and Recovery and Resolution Plan (RRP) which were submitted to the Audit Committee and Risk Committee for review, subsequently approved by the Board and passed to the regulators.

Liquidity risk

The Bank measures and manages its cash flow commitments on a daily basis and maintains a diversified portfolio of high quality liquid and marketable assets.

The Bank uses various methods, including predictions of future daily cash positions, to monitor and manage its liquidity risk to avoid undue concentration of funding requirements at any point in time or from any particular source. Maturity mismatches between lending and funding are managed within internal risk policy limits.

Credit risk

Credit risk is the risk that counterparties will be unable to meet their obligations to the Bank. Credit risk arises principally from lending but also from transactions involving both cash and derivative instruments. The most important step in managing this risk is the initial decision whether or not to extend credit. The Bank's strong credit culture extends to the management of resultant exposures to individual and connected group counterparties, concentration limits and the monitoring of counterparty creditworthiness as described below.

The day to day management of the credit risk function is performed by designated members of the management team who perform regular appraisals of counterparty credit quality for consideration by the Credit Committee.

If the Bank requires collateral, this may be cash, or more commonly, security over the customer's assets.

Market risk

Market risk is the risk that changes in the level of interest rates, the levels of exchange rates between currencies or the price of securities and other financial contracts could have an adverse impact on profits. The main market risks within the Bank's activities are interest rate and currency risk. The assets of the Bank are largely funded in the same currency and with similar interest rate resetting periods.

The Bank undertakes hedging transactions (Packaged Asset Swaps) to manage its interest rate or exchange rate risk. The swap transactions are valued on an equivalent basis to the assets, liabilities or the positions, which they are hedging. All profit or losses in the swaps are recognised at the same time as any profit or loss arising from the assets, liabilities and positions that they are hedging.

Operational risk

The primary operational risk arises from the potential for computer system breakdown and the need for the rapid recovery of operational data. Other operational risks include front and back office errors, fraud, breaches in internal controls and external events resulting in financial loss or reputational damage. The Bank manages these risks through appropriate risk controls and loss mitigation actions. These actions include a balance of policies, procedures, internal controls and contractual business continuity arrangements.

Kexim Bank (UK) Limited

Notes to the accounts Year ended 31 December 2014

2. Risk management and financial instruments (continued)

Financial instruments

Financial instruments are fundamental to the Bank's business and constitute the core element of its operations. The risks associated with financial instruments are a significant component of the risks faced by the Bank. Financial instruments create, modify or reduce the liquidity, credit and market risks of the Bank's balance sheet. Each of these risks and the Bank's policies and objective for managing such risks are mentioned above.

The purpose for which the Bank holds or issues financial instruments can be classified into five categories:

Loans, advances and deposits

Loans and advances to customers form an important part of the Bank's business. The Bank has detailed policies in respect of its customer loans and deposits which seek to minimise the risk associated with these financial instruments.

Debt securities

The Bank holds debt securities, which form a significant part of the balance sheet, until maturity or at a permanent diminution in value, if required. Investments in securities are made within parental guidelines. The objective of holding such financial instruments is to generate a continuing and regular income over the term of the investment.

Advances to and acceptances from banks

The Bank uses such financial instruments to either fund its activities or to place in the market any surplus cash balances. The objective of using such financial instruments which is covered by detailed policies is to manage the Bank's balance sheet in terms of minimising market and liquidity risk.

Hedging (of debt securities and loans)

Where financial instruments form part of the Bank's risk management strategy they are termed as hedges. Typically the Bank enters into hedges which are Packaged Asset Swaps which match and/or eliminate the risk which may arise from any adverse movements in interest rates and exchange rates. In other circumstances and as mentioned above, the Bank mitigates the effect of foreign currency exposures by matching the currencies of the on-balance sheet financial assets and liabilities.

Repurchase Agreement (Repo)

The Bank uses such financial instruments to raise short-term borrowing in the form of repo by selling the securities and agreeing to repurchase it in the future, which are recognised as financial liabilities at amortised cost on the balance sheet.

Kexim Bank (UK) Limited

Notes to the accounts Year ended 31 December 2014

3. Analysis of total operating income

<i>By activity</i>	2014 £	2013 £
Fixed interest loans and deposits	438,930	1,069,596
Swap hedge interest	(2,695,035)	(2,986,666)
Investment income	5,133,728	5,537,140
Profit on disposal of securities	(531)	-
Foreign exchange	32,219	(98,812)
Fees and commissions	171,035	180,092
Other operating income	(10,635)	15,619
	<u>3,069,711</u>	<u>3,716,969</u>

All of the Bank's operating income arose from activities in the UK.

4. Interest Payable

To Parent Company	2014 £	2013 £
On Money Market Deposits	547,296	666,286
On Subordinated Loan	91,977	104,900
	<u>639,273</u>	<u>771,186</u>
	2014 £	2013 £
To Other Companies		
On Term Deposits	1,092,794	1,281,867
On Repos	86,564	55,214
On Medium and Long Term Funding	761,029	475,815
	<u>1,940,387</u>	<u>1,812,896</u>
	2014 £	2013 £
In Relation to Interest Asset Swaps		
On Interest Asset Swaps	4,742,081	5,350,911
	<u>4,742,081</u>	<u>5,350,911</u>
Total	<u>7,321,741</u>	<u>7,934,993</u>

Kexim Bank (UK) Limited

Notes to the accounts Year ended 31 December 2014

5. Administrative expenses

	2014	2013
	£	£
Staff costs		
Wages and salaries	911,936	986,722
Social security costs	25,350	20,747
Other pension costs	11,771	14,718
Other staff costs	24,829	33,058
	<u>973,886</u>	<u>1,055,245</u>
Other administrative expenses	542,669	592,077
	<u>1,516,555</u>	<u>1,647,322</u>

Other pension costs have been fully paid during the year. The Bank has established Personal Pension Plans which do not belong to the Bank. The Bank pays regular monthly contributions into the plan, at its own cost, on behalf of the UK staff. These are all Money Purchase schemes. The average number of staff employed during the year (including directors) was 10 (2013: 10).

	2014	2013
	£	£
Directors' emoluments		
Aggregate directors' emoluments	<u>380,752</u>	<u>471,738</u>
Highest paid director	<u>171,707</u>	<u>270,192</u>

The Bank does not contribute towards the directors' pension schemes.

Kexim Bank (UK) Limited

Notes to the accounts Year ended 31 December 2014

6. Profit on ordinary activities before tax

This is derived after charging/(crediting):

	2014 £	2013 £
Depreciation	94,515	137,290
Auditor's remuneration		
- Audit	21,000	20,400
- Tax services	5,525	19,793
Profit on disposal of debt securities	(531)	-
Foreign exchange differences	(32,219)	98,812
Operating lease rentals — land and buildings	154,960	132,485
	<u>154,960</u>	<u>132,485</u>

7. Taxation

a) Analysis of tax charge in the year

	2014 £	2013 £
UK tax on profit on ordinary activities:		
Current year corporation tax	53,998	478,077
Prior year adjustment	(8,814)	(243)
Overseas tax paid	-	106
	<u>45,184</u>	<u>477,940</u>
Total current year tax charge		
Deferred tax:		
Origination and reversal of timing differences	(22,164)	(11,294)
Prior year adjustment	(2,351)	(4,976)
Change in tax rate	-	35,445
	<u>(24,515)</u>	<u>19,175</u>
Total deferred tax credit		
Tax charge on profit on ordinary activities	<u>20,669</u>	<u>497,115</u>

b) Factors affecting tax charge for the year

Profit on ordinary activities	94,054	1,953,534
	<u>94,054</u>	<u>1,953,534</u>
Tax at 21.5% (2013: 23.25%)	20,222	454,130
Effects of:		
Expenses not deductible for tax purposes	7,620	8,019
Capital allowances in excess of depreciation	3,843	21,313
Other timing differences	22,313	(5,385)
Overseas tax paid	-	106
Prior year adjustment	(8,814)	(243)
	<u>(8,814)</u>	<u>(243)</u>
Total current tax charge for the year	<u>45,184</u>	<u>477,940</u>

Kexim Bank (UK) Limited

Notes to the accounts Year ended 31 December 2014

8. Deferred taxation

	2014 £	2013 £
Accelerated capital allowances	8,330	4,755
Provisions	252,482	231,541
	<u>260,812</u>	<u>236,296</u>
Deferred tax asset		
Movement in deferred tax asset		
Brought forward	236,296	255,471
Prior year adjustment	2,352	4,976
Change in tax rate	-	(35,445)
Movement in year	22,164	11,294
	<u>260,812</u>	<u>236,296</u>

9. Loans and advances to banks

	2014 £	2013 £
Repayable:		
- within three months	9,634,889	10,138,435
- between three months and one year	-	11,848,628
	<u>9,634,889</u>	<u>21,987,063</u>
General provisions held	-	(144,390)
Net of provisions	<u>9,634,889</u>	<u>21,842,673</u>

10. Loans and advances to customers

	2014 £	2013 £
Repayable:		
- within three months	26,088,306	20,260,085
- between three months and one year	61,613,428	58,182,191
- between one year and five years	62,742,454	40,700,058
- over five years	5,367	4,467
	<u>150,449,555</u>	<u>119,146,801</u>
General provisions held	(1,262,408)	(1,013,315)
Specific provisions held	(1,259,884)	-
Net of provisions	<u>147,927,263</u>	<u>118,133,486</u>

Kexim Bank (UK) Limited

Notes to the accounts Year ended 31 December 2014

11. Provisions for loans and advances, debt securities and equity shares

Loans and advances to banks and to customers, debt securities and equity shares are stated net of the following provisions:

	Specific £	General £	Total £
At 1 January 2014	716	1,157,705	1,158,421
Movements in foreign exchange rates	13	-	13
Charge for the year	1,259,884	104,703	1,364,587
	<u>1,260,613</u>	<u>1,262,408</u>	<u>2,523,021</u>
At 31 December 2014			
of which:			
in respect of loans and advances to customers			2,522,292
in respect of debt securities			-
in respect of equity shares			729
			<u>2,523,021</u>

12. Debt securities

	Balance sheet £	2014 Market value £	Balance sheet £	2013 Market value £
Investment securities:				
- Eurobonds	20,785,334	25,511,745	10,412,583	10,599,655
		<u>25,511,745</u>		<u>10,599,655</u>
Packaged Asset Swaps	103,282,064		105,233,964	
	<u>124,067,398</u>		<u>115,646,547</u>	

Included in the debt securities are Packaged Asset Swaps with a balance sheet value of £103,282,065: £105,233,964) for which there is no available market price. The securities within the Packaged Asset Swaps are listed and have a market value of £109,213,847 (20083: £109,234,071). These securities may be sold from the packaged asset swaps without penalty.

	2014 £	2013 £
Due within one year	19,448,378	45,890,645
Due one year and over	104,619,020	69,755,902
	<u>124,067,398</u>	<u>115,646,547</u>
Listed Securities	<u>124,067,398</u>	<u>115,646,547</u>

Kexim Bank (UK) Limited

Notes to the accounts Year ended 31 December 2014

12. Debt securities (continued)

	2014 £	2013 £
Public ownership		
Issued by Government	6,309,470	6,773,321
Issued by supranational organisations	3,283,697	2,060,452
Issued by other public sector bodies	4,008,697	13,001,871
Others		
Issued by banks	72,774,905	61,836,356
Issued by other issuers	37,690,629	31,974,547
	<u>124,067,398</u>	<u>115,646,547</u>

Movements in investment securities comprise:

	£
At 1 January 2013	111,446,331
Exchange rate movements	(2,257,092)
Acquisitions	37,079,030
Disposals and maturities	<u>(30,621,722)</u>
At 31 December 2013	115,646,547
Exchange rate movements	3,240,699
Acquisitions	51,070,798
Disposals and maturities	<u>(45,890,646)</u>
At 31 December 2014	<u>124,067,398</u>

Kexim Bank (UK) Limited

Notes to the accounts Year ended 31 December 2014

13. Equity shares

	Total £
At 1 January 2013	33,565
Exchange rate movements	(277)
Acquisitions	-
Conversion of loan to shares	5,054
Repayment	(343)
Disposal	(815)
Write off	(36,430)
	<hr/>
At 31 December 2013	754
Exchange rate movements	13
Acquisitions	-
Disposal and maturities	-
	<hr/>
At 31 December 2014	767
Specific provisions held	(729)
	<hr/>
At 31 December 2014 – net of provisions	<u>38</u>

All of the equity shares are unlisted. The fair value has been estimated by the directors to be materially the same as carrying value.

14. Tangible fixed assets

	Fixtures and Fittings £	Office Equipment £	Total £
Cost			
At 1 January 2014	92,242	467,275	559,517
Additions	-	45,500	45,500
Disposals	-	-	-
Assets written-off	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2014	92,242	512,775	605,017
	<hr/>	<hr/>	<hr/>
Accumulated depreciation			
At 1 January 2014	29,634	380,666	410,300
Charge for the year	9,269	85,246	94,515
Disposals	-	-	-
Assets written-off	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2014	38,903	465,912	504,815
	<hr/>	<hr/>	<hr/>
Net book value at 31 December 2014	<u>53,339</u>	<u>46,863</u>	<u>100,202</u>
	<hr/>	<hr/>	<hr/>
At 31 December 2013	<u>62,608</u>	<u>86,609</u>	<u>149,217</u>

Kexim Bank (UK) Limited

Notes to the accounts Year ended 31 December 2014

15. Deposits by banks

	2014 £	2013 £
Parent & related companies	79,104,020	68,967,141
Other banks	147,294,272	151,883,565
	<u>226,398,292</u>	<u>220,850,706</u>
Repayable:		
- within three months	12,993,622	24,223,675
- between three months and one year	149,399,489	67,423,209
- between one year and five years	64,005,181	129,203,822
	<u>226,398,292</u>	<u>220,850,706</u>

16. Securities sold under agreement to repurchase

	2014 £	2013 £
Other banks	18,667,451	-
Repayable:		
- between three months and one year	14,793,582	-
- between one year and five years	3,873,869	-
	<u>18,667,451</u>	<u>-</u>

17. Subordinated loans

	2014 £	2013 £
Repayable:		
- between one year and five years	9,627,728	-
- over five years	3,851,091	9,067,827
	<u>13,478,819</u>	<u>9,067,827</u>

The two subordinated loans are granted by the parent company, the Export-Import Bank of Korea, for an amount of US\$15million and US\$6million (2013: US\$15million) and will mature in 2019 and 2024 respectively (2013: 2019). The interest is reset periodically on the basis of the London interbank rate plus 0.62% and 1.52% respectively (2013: 0.62%).

Under the terms of the loan agreement, in the event of the winding up of the Bank, the loan will be subordinated to the claims of depositors and all other creditors of the Bank.

Kexim Bank (UK) Limited

Notes to the accounts Year ended 31 December 2014

18. Called up share capital

	2014 £	Authorised 2013 £	2014 £	Allotted, called up and fully paid 2013 £
Ordinary shares £1 each	20,000,000	20,000,000	20,000,000	20,000,000

19. Reconciliation of movement in shareholders' funds

	Share capital £	Profit and loss account £	Total shareholders' funds £
At 1 January 2013	20,000,000	7,694,106	27,694,106
Profit for 2013	-	1,456,420	1,456,420
Dividend paid in 2013	-	(294,189)	(294,189)
At 31 December 2013	20,000,000	8,856,337	28,856,337
Profit for 2014	-	73,386	73,386
Dividend paid in 2014	-	(145,642)	(145,642)
At 31 December 2014	20,000,000	8,784,081	28,784,081

20. Assets and liabilities in foreign currency

The Bank has managed its exposure to foreign exchange rate fluctuations by matching assets with liabilities in the same currency and similar maturities.

	2014 £	2013 £
Denominated in sterling	28,117,504	17,209,212
Denominated in currencies other than sterling	260,320,725	243,268,838
Total assets	288,438,229	260,478,050
Denominated in sterling	25,841,938	16,716,312
Denominated in currencies other than sterling	262,596,291	243,761,738
Total liabilities	288,438,229	260,478,050

Kexim Bank (UK) Limited

Notes to the accounts Year ended 31 December 2014

21. Derivatives and financial instruments

Interest rate sensitivity gap analysis

2014	Not more than three months £	More than three months but not more than six months £	More than six months but not more than one year £	More than a year but not more than five years £	Non-interest bearing £	Total £
Assets:						
Loans and advances to banks	9,634,889	-	-	-	-	9,634,889
Loans and advances to customers	134,537,290	12,718,944	665,661	-	5,367	147,927,262
Debt securities	11,217,940	2,567,394	7,000,000	-	-	20,785,334
Asset swaps	47,519,817	50,922,336	4,839,912	-	-	103,282,065
Other assets	-	-	-	-	6,808,679	6,808,679
Total assets	202,909,936	66,208,674	12,505,573	-	6,814,046	288,438,229
Liabilities:						
Deposits by banks	226,241,641	-	-	-	156,651	226,398,292
Securities sold under agreement to repurchase	-	14,793,582	-	3,873,869	-	18,667,451
Subordinated loan	3,851,091	9,627,728	-	-	-	13,478,819
Deposits by customers	-	-	-	-	-	-
Other liabilities	-	-	-	-	1,109,586	1,109,586
Shareholders' funds	-	-	-	-	28,784,081	28,784,081
Total liabilities and shareholders' fund	230,092,732	24,421,310	-	3,873,869	30,050,318	288,438,229
Interest rate sensitivity gap	(27,182,796)	41,787,364	12,505,573	(3,873,869)	23,236,272	
Cumulative gap	(27,182,796)	14,604,568	27,110,141	23,236,272	-	

Kexim Bank (UK) Limited

Notes to the accounts Year ended 31 December 2014

21. Derivatives and financial instruments (continued)

Interest rate sensitivity gap analysis (continued)

2013	Not more than three months £	More than three months but not more than six months £	More than six months but not more than one year £	More than a year but not more than five years £	Non-interest bearing £	Total £
Assets:						
Loans and advances to banks	21,243,290	599,383	-	-	-	21,842,673
Loans and advances to customers	96,429,653	21,699,366	-	-	4,467	118,133,486
Debt securities	8,352,131	2,060,452	-	-	-	10,412,583
Asset swaps	49,420,977	51,235,375	4,577,612	-	-	105,233,964
Other assets	53,003	69,711	-	189,813	4,542,817	4,855,344
Total assets	175,499,054	75,664,287	4,577,612	189,813	4,547,284	260,478,050
Liabilities:						
Deposits by banks	220,799,053	-	-	-	51,653	220,850,706
Securities sold under agreement to repurchase	-	-	-	-	-	-
Subordinated loan	-	9,067,827	-	-	-	9,067,827
Deposits by customers	-	-	-	-	-	-
Other liabilities	-	-	-	-	1,703,180	1,703,180
Shareholders' funds	-	-	-	-	28,856,337	28,856,337
Total liabilities and shareholders' fund	220,799,053	9,067,827	-	-	30,611,170	260,478,050
Interest rate sensitivity gap	(45,299,999)	66,596,460	4,577,612	189,813	(26,063,886)	
Cumulative gap	(45,299,999)	21,296,461	25,874,073	26,063,886	-	

* The repricing date of the securities included in the asset swaps has been adjusted for the effect of the related swaps.

Fair values of financial instruments

The term financial instruments includes both financial assets and financial liabilities, and also derivatives. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Quoted market prices are used where available. The values presented in these financial statements would not necessarily be realised in an immediate sale; nor are there plans to settle liabilities prior to contractual maturity.

An analysis between trading and non trading assets and liabilities has not been provided as the Bank does not have any trading financial instruments.

The fair values of listed and publicly traded securities held for non-trading book purposes (comprising debt securities) are disclosed in note 12.

The fair values of other non trading book balances approximate to their carrying value in the balance sheet.

Kexim Bank (UK) Limited

Notes to the accounts Year ended 31 December 2014

22. Contingent liabilities

As of 31 December 2014, £7.1million (2013: £6.6million) of investment securities are pledged as collateral for swap transactions.

23. Ultimate parent company

The ultimate parent undertaking is the Export-Import Bank of Korea which is registered in South Korea. Copies of its group financial statements can be obtained from:

The Export-Import Bank of Korea
16-1 Yeouido-Dong
Yeongdeungpo-Gu
Seoul 150-996
Republic of Korea

The Bank has taken advantage of an exemption under FRS8, relating to 100% subsidiaries, which exempts it from disclosing related party transactions with the Group.