KEXIM Bank (UK) Limited
Subsidiary of The Export-Import Bank of Korea

Kexim Bank (UK) Limited

Annual Report and Financial Statements for the year ended 31 December 2015

Kexim Bank (UK) Limited

Contents

Officers and professional advisers

Directors

S S Ryoo	Managing Director
B S Cha	Executive Director
C P J Fitzgibbon	Chairman and Independent Non-Executive Director
H Jeung	Non-Executive Director
J Kim	Non-Executive Director

Registered Office
Moorgate Hall
155 Moorgate
London
EC2M 6XB

Company Registration No. 2693038

Auditor
Deloitte LLP
Chartered Accountants
Hill House
1 Little New Street
London
EC4A 3TR

Chairman's statement

2015 was a year of challenge for Kexim Bank (UK) Limited ('the Bank' of 'the company') during which the Bank had to contend with a significant fall in commodity prices, low interest rates and the transition to new accounting framework. Over the past year, the necessary steps have been taken to strengthen the Bank's investment policies and the effectiveness and independence of the Board.

Governance

The Board has a balance of skills and experience which enables it to set the tone of the business and to challenge and support the management team.

The Board conducted a Board Effectiveness Review for the first time to evaluate the effectiveness of the Board in terms of its structure, functionality, strategy, professional development, risk management and performance evaluation. As part of this process, questionnaires were completed by the Board members anonymously and a discussion was facilitated to identify strengths, challenges and recommendations for improvement.

The review concluded that the Bank's board was operating effectively and the board members had the appropriate balance of skills, experience and knowledge. A number of recommendations were made regarding training the directors, the appointment of an independent non-executive director as the Chairman of the Board and the appointment of an additional non-executive director in the coming year.

Board changes

Mr Ryoo, my predecessor, resigned at the beginning of January 2016 and continues to work for the Bank as a Managing Director. I would like to pay tribute to his long and successful tenure. However, in accordance with the UK Corporate Governance Code, the roles of Chairman and Managing Director have been split.

Conclusion

The Bank is planning to expand its business opportunities while managing the effectiveness of its operating activities. Our team have shown dedication and determination in meeting the Bank's objectives. 2016 poses continuing challenges but the Bank is committed to taking the steps necessary to deliver value for the Export-Import Bank of Korea ('the Parent Bank').

Christopher Fitzgibbon

Christopher Fitzgibbon
Chairman

Strategic report

Principal activities

The principal activity of the Bank is wholesale banking. The Bank is a wholly-owned subsidiary of 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 2015

The overall macroeconomic environment remained very challenging for the investment banking sector during the entire year. Mediocre economic recovery in the EU, turmoil in emerging markets associated with commodity price collapse, persistently low interest rates and global liquidity glut collectively pushed interest margin down to an unprecedentedly low level. While anxiety over the creditworthiness of export-driven Korean companies was increasing, the Bank started the year with 1.2% non-performing loan ('NPL') of total loans which had offset the entire earnings in 2014.

The Bank had entered into interest rate swaps and cross currency interest swaps in order to hedge the interest rate risk of held-to-maturity investment securities. However, the transition to a new accounting framework, FRS 101 Reduced Disclosure Framework, required the Bank to fair value the derivatives on its balance sheet from this financial year. The adoption of the new accounting framework has caused fluctuations in the Bank's earnings due to the revaluation of the derivatives and most of the investment securities. Fluctuations in earnings are expected to continue in future for the same reason.

The Bank has taken a range of mitigating actions in response to the challenges. The Bank explored various new fee income generating business opportunities, including the syndication of loans covered by the parent bank, bond issue advisory for corporate clients and letter of credit confirmation. In addition, the Bank pursued more dynamic NPL management during the year. The swift sales of the part of the NPL loan that was converted into shares and the pre-emptive disposal of the residual amount of the impaired loan boosted net income by GBP 0.7 million, partly attributable to the release of specific provisions. At the end of the year, the Bank achieved 0% NPL ratio, whilst meeting our target for the total asset size.

Earnings from the ordinary business activities, excluding unrealised gains or losses on the fair values of financial assets amounted to £1.7 million. This was a significant increase compared to the previous year and exceeded a target set by the board and the parent bank. However, the earnings were completely offset due to the change in the accounting framework. While the newly adopted fair value adjustment of investment securities and the relevant derivatives increased the net income of 2013 and 2014 by £1.6 million and £0.3 million respectively, it reduced the bank's earning by £2.1million in 2015.

The loss before tax for the year is £44,482, largely due to the unrealised loss on the financial assets, and is increased further by a £301,984 tax adjustment. The tax expenses arises due to the recognition of a deferred tax liability on the spreading of the transitional adjustments of the fair value gains on the financial assets following conversion to FRS 101.

Although the derivatives provided effective hedging over the life of the respective investment securities, the fair value adjustment caused the gain or loss for the intervening years. To mitigate the impact of the fair value adjustment, the Bank is in the process of making changes to its portfolio strategy, which includes reducing the volume of securities investment and changing its trading policy. The Bank's management is confident that this will have a material impact on the Bank's financial performance.

Strategic report (continued)

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 ongoing 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.

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

Ryoo Soon Sik

S S Ryoo
Managing Director
5 April 2016

Directors' report

The directors present their annual report together with the financial statements and auditor's report for the year ended 31 December 2015.

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.

Directors indemnities

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

Results and dividends

The Bank, herewith, reports a loss for the year amounting to £346,466 (2014: £977,379) as shown on page 12 of the Financial Statements.

At this time no dividend has been declared or paid for 2015 (2014: £145,642).

Viability statement

In accordance with the 2014 UK Corporate Governance Code the Board assessed the perspectives of the Bank over a longer period than the 12 months required by the Going Concern statement given in Director's report.

The review compiled on Internal Capital Adequacy Assessment Process ('ICAAP') and Internal Liquidity Adequacy Assessment Process ('ILAAP') and evaluation of the bank's principal risks and uncertainties stated in the Strategic Report, including those that would threaten its operational performance and liquidity coverage. On a regular basis the Bank conducts stress tests as part of the ICAAP and ILAAP required by the Prudential Regulation Authority ('PRA'). It is the Board's responsibility to evaluate the effectiveness of any management actions that may be taken to mitigate the impact of the stress events.

The Board considered that the viability statement should cover a period of three years. Whilst the Board have no reason to believe that the Bank will not be viable over a longer period. A three year period has been chosen because a three year time horizon has a much greater degree of certainty and provides an appropriate longer-term outlook.

Taking into consideration the continuous support from the parent bank and the Board's assessment of principal risks and further prospects, the Directors have a reasonable expectation that the Bank will be able to continue its operation and meet its obligations as they fall due over a period of at least three years.

Board Effectiveness Review

The Board conducted an internal Board Effectiveness Review on the basis of questionnaires independently completed by the Board members. The themes of the questionnaire included board structure, board functionality and professional development. The Board discussed the key points arising from the questionnaire to identify current strengths, future challenges and actions and provide insights to enhance the Board's overall effectiveness. The review concluded that the Board operates effectively and identified some areas for further action.

Appointment of new Chairman

An independent non-executive Director, Mr Christopher Fitzgibbon has been newly appointed as the Chairman of the Board with effect from 1 January 2016.

Directors' report (continued)

Going Concern Basis

In accordance with best principles of corporate governance it is encumbent 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.
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, but, in practice, if the Bank was short of funds, the parent bank has provided notice to the Board of Directors 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.

Financial risk management objectives and policies

The activities of the Bank expose it to a number of financial risks including credit risk, liquidity risk, market risk and operational 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.

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.

Directors' report (continued)

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.

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.

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.

Directors

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

S S Ryoo	Managing Director	Resigned as Chairman 1 January 2016
J S Kang	Executive Director	Resigned 3 July 2015
B S Cha	Executive Director	Appointed 1 September 2015
C P J Fitzgibbon	Independent Non-Executive Director	Appointed as Chairman 1 January 2016
H Jeung	Non-Executive Director	
J Kim	Non-Executive Director	

Political and charitable contributions

There were no political and charitable donations made during the year (2014: £nil).

Principal risks and uncertainties

See note 29 to the Financial Statements.

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.

Directors' report (continued)

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

Ryoo Soon Sik

S S Ryoo
Managing Director
5 April 2016

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 Financial Reporting Standard 101 Reduced Disclosure Framework. 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 Financial Reporting Standard 101 Reduced Disclosure Framework has 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 2015 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 30. 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), including FRS 101 "Reduced Disclosure Framework".

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 Directors' Responsibilities Statement, 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 company'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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 company's affairs as at 31 December 2015 and of its loss 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.

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

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.

Tom Millar (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
5 April 2016

Profit and loss account

For the year ended 31 December 2015

	Notes	2015 £	2014 £
Interest income			
Interest income and similar income arising from debt securities	10	4,874,881	5,133,728
Other interest income and similar income	10	5,199,405	5,065,636
		10,074,286	10,199,364
Interest expenses	5	(7,118,026)	(7,321,741)
Net interest income		2,956,260	2,877,623
(Loss)/gain on financial assets at FVTPL		(3,009,646)	1,635,201
Gain/(loss) on derivative assets		921,799	(1,369,284)
Fees and commissions income		97,569	200,099
Fees and commissions expenses		(55,446)	(29,064)
Dealing profits/(loss)		23,900	(14,348)
Other operating income		716,903	(11,165)
Total operating income	4	1,651,339	3,289,061
Administrative expenses	9	(1,710,232)	(1,516,558)
Depreciation	6	(28,323)	(94,515)
Provisions	16	42,734	(659,003)
((Loss)/profit on ordinary activities before tax		(44,482)	1,018,986
Tax on (loss)/profit on ordinary activities	11	(301,984)	(41,609)
(Loss)/profit on ordinary activities after tax		**(346,466)**	**977,377**

Statement of comprehensive income

For the year ended 31 December 2015

	2015 £	2014 £
(Loss)/profit for the year	(346,466)	977,377
Items that may be reclassified subsequently to profit or loss:		
Available for sale financial assets		
(Loss) arising during the period	(8,742)	-
Income tax relating to items that may be reclassified	1,770	-
Other Comprehensive (loss)/income for the period net of tax	(6,972)	977,377
Total Comprehensive (loss)/income for the period attributable to the Owners of the Company	(353,438)	977,377

Kexim Bank (UK) Limited

Balance sheet

As at 31 December 2015

	Notes	2015 £	2014 £
Fixed assets			
Tangible fixed assets	13	108,270	100,202
Loans and advances to customers (due after one year)	15, 16	60,326,638	46,636,997
Debt securities: private placement bonds (due after one year)		23,664,680	16,042,892
Financial assets at fair value through profit or loss (FVTPL) (due after one year)	17	91,810,724	95,715,673
Financial investments (due after one year)	18	10,698,145	15,576,091
Derivative financial assets (due after one year)	20	401,709	219,391
		187,010,166	174,291,246
Current assets			
Loans and advances to banks (due within one year)	14, 16	15,322,069	9,634,889
Loans and advances to customers (due within one year)	15, 16	71,905,248	83,047,679
Debt securities: private placement bonds (due within one year)		6,069,633	3,208,579
Financial assets at FVTPL (due within one year)	17	15,050,726	14,744,989
Financial investments (due within one year)	18	10,787,084	5,209,243
Corporation tax receivable		179,023	22,002
Deferred tax asset	24	-	8,330
Equity shares	19	38	38
Prepayments and accrued income		3,673,117	3,840,024
Cash at bank and in hand		3,246,838	2,585,599
Derivative financial assets	20	5,437	388,616
Total Assets		313,249,379	296,981,234
Creditors: amounts falling due within one year			
Deposits by banks		(202,844,084)	(162,393,111)
Securities sold under agreement to repurchase	22	(18,397,087)	(14,793,582)
Accruals and other liabilities		(1,316,807)	(1,109,589)
Derivative liabilities		(301,770)	(312,369)
Net Current assets		(96,620,535)	(55,918,662)
Total assets less current liabilities		216,628,844	241,062,572
Creditors: amounts falling due after more than one year			
Deposits by banks	21	(40,373,718)	(64,005,181)
Securities sold under agreement to repurchase	22	-	(3,873,869)
Subordinated loans	23	(14,165,261)	(13,478,819)
Derivative liabilities	20	(4,514,327)	(5,589,135)
Deferred tax liabilities	24	(262,149)	-
Total liabilities		(282,175,203)	(265,555,654)
Net Assets		31,074,176	31,425,580
Capital and reserves			
Called up share capital	25	20,000,000	20,000,000
Other components of equity	26	(6,972)	-
Profit and loss account	27	11,081,148	11,425,580
Total shareholders' funds		31,074,176	31,425,580

Kexim Bank (UK) Limited

Balance sheet (continued)

As at 31 December 2015

The financial statements were approved by the board of directors and authorised for issue on 5 April 2016. They were signed on its behalf by:

S S Ryoo
Director
Company No. 2693038

Statement of changes in equity

For the year ended 31 December 2015

	Share Capital	Profit and loss account	Other Comprehensive Income	Total
	£	£	£	£
Balance at 1 January 2014	20,000,000	10,825,385	-	30,825,385
Profit for the period	-	977,377	-	977,377
Transitional adjustment: deferred tax	-	(231,540)	-	(231,540)
Total comprehensive income for the period		745,837		745,837
Dividends	-	(145,642)	-	(145,642)
Balance at 31 December 2014	20,000,000	11,425,580	-	31,425,580
Loss for the period	-	(346,466)	-	(346,466)
Transitional adjustment: deferred tax	-	2,034	-	2,035
Other comprehensive income for the period	-	-	(6,972)	(6,972)
Total comprehensive income for the period	-	(344,432)	(6,972)	(351,404)
Balance at 31 December 2015	20,000,000	11,081,148	(6,972)	31,074,176

Notes to the financial statements

For the year ended 31 December 2015

1. General information

Kexim Bank (UK) Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the company's operations and its principal activities are set out in the strategic report on pages 3 to 4.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

Adoption of new and revised Standards

Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

In the current year, the company has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2014. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 1 Presentation of Financial Statements (as part of the Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012)	The Annual Improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the company are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when: a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements; and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

1. General information (continued)

IFRS 13 Fair Value Measurement	The company has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes). IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements; however the Company has taken advantage of the exemption provided under FRS 101 from providing these disclosures. IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the company has not made any new disclosures required by IFRS 13 for the 2014 comparative period (please see note 29 for the 2015 disclosures). Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

1. General information (continued)

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the company has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

IFRS 9	*Financial Instruments.*
IAS 16	*Clarifications of Acceptable Methods of Depreciation.*
Annual Improvements	
to IFRSs: 2010-2012	Amendments to : IFRS 13 *Fair Value Measurement*, IAS 16 *Property, Plant and Equipment* and IAS *24 Related Party Disclosures.*
Annual Improvements	
to IFRSs: 2011-2013	Amendments to: IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IFRS 13 *Fair Value Measurement.*
Annual Improvements	
to IFRSs: 2012-2014 Cycle	Amendments to: IFRS 7 *Financial Instruments: Disclosures.*

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the company in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

2. Significant accounting policies

Basis of accounting

The Company meets the definition of a qualifying entity under Financial Reporting Standard 101 (FRS 101) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015 the Company has changed its accounting framework from pre-2015 UK GAAP to FRS 101 and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. These financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework'. The Company has elected to use fair value for financial assets measured at fair value through profit or loss and derivatives.

Explanation of transition to FRS 101

This is the first year that the Company has presented its financial statements under FRS 101. The following disclosures are required in the year of transition. The last financial statements under a previous GAAP (pre-2015 UK GAAP) were for the year ended 31 December 2014 and the date of transition to FRS 101 was therefore 1 January 2014.

The prior year financial statements were restated for material adjustments on adoption of FRS 101 in the current year. For more information see below.

Reconciliation of equity

Notes		At 1 January 2014 £	At 31 December 2014 £
	Equity reported under previous UK GAAP	28,856,337	28,784,081
	For 2013		
	Adjustments to equity on transition to FRS 101:		
1	Fair value adjustment of financial assets at FVTPL	5,543,396	5,543,396
2	Fair value adjustment of derivatives	(3,924,213)	(3,924,213)
3	Gain from adjustment of provision	349,865	349,865
	For 2014		
1	Fair value adjustment of financial assets at FVTPL	-	1,635,201
2	Fair value adjustment of derivatives	-	(1,369,284)
3	Gain from adjustment of provision	-	705,584
4	Transitional adjustment of deferred tax: current year	-	(20,940)
4	Transitional adjustment of deferred tax: prior year	-	(231,541)
	Foreign exchange differences	-	(46,569)
	Equity reported under FRS 101	30,825,385	31,425,580

Notes

1. The fair value adjustment of financial assets at FVTPL generated a profit of £5.5million and £1.6million as at 1 January 2014 and 31 December 2014 respectively.
2. The fair value adjustment of derivatives generated a loss of £3.9million and £1.4million as at the beginning and end of 2014 respectively.
3. Provision amounts were decreased and therefore the gains of £0.3million and £0.7million in provision increased the retained earnings as at the opening and closing dates of 2014. The decrease in provision amounts were due to the change in the provision policy under IFRS.
4. A decrease in deferred tax provision of £0.3million was reflected in the accounts largely related to a prior year adjustment being transitional adjustments in relation to derivatives and investment securities.

Notes to the financial statements (continued)

For the year ended 31 December 2015

2. Significant accounting policies (continued)

Explanation of transition to FRS 101 (continued)

Reconciliation of total comprehensive income for the year ended 31 December 2014

Notes*		£
	Total comprehensive income for the financial year under previous UK GAAP	73,386
1	Fair value adjustment of financial assets at FVTPL	1,635,201
2	Fair value adjustment of derivatives	(1,369,284)
3	Adjustment of provision amount	705,584
4	Adjustment of deferred tax	(20,940)
	Foreign exchange differences	(46,570)
	Total comprehensive income for the financial year under FRS 101	977,377

* Please refer to the notes in the previous section of 'Reconciliation of equity'.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions

Where relevant, equivalent disclosures have been given in the group accounts of the Export-Import Bank of Korea. The group accounts of the Export-Import Bank of Korea are available to the public and can be obtained as set out in note 30.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Notes to the financial statements (continued)
For the year ended 31 December 2015

2. Significant accounting policies (continued)

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic report pages 3 to 4.

The company is expected to continue to generate positive cash flows on its own account for the foreseeable future. The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The directors, having assessed the responses of the directors of the company's parent the Export-Import Bank of Korea to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Export-Import Bank of Korea group to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the company's financial position and of the enquiries made of the directors of the Export-Import Bank of Korea, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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.

Leases

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

Foreign currencies

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

Transactions in currencies other than the company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

2. Significant accounting policies (continued)

Operating profit

Operating profit is stated after charging restructuring costs but before investment income and finance costs.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

2. Significant accounting policies (continued)

Tangible fixed assets

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values 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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

2. Significant accounting policies (continued)

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the profit and loss account. Fair value is determined in the manner described in note 29.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Available for sale (AFS) financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as: (a) loans and receivables; (b) held-to-maturity investments; or (c) financial assets at fair value through profit or loss.

Listed shares and listed redeemable notes held by the Company that are traded in an active market are classified as being AFS and are stated at fair value. The Company also has investments in unlisted shares that are not traded in an active market but that are classified as AFS financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Fair value is determined in the manner described in note 29. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated

2. Significant accounting policies (continued)

using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is reclassified to profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred, if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. However, losses expected as a result of future events, no matter how likely, are not recognised.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured and recognised in profit or loss by category of financial assets.

1) Loans

If there is objective evidence that an impairment loss on loans carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan's original effective interest rate. The Company first assesses whether objective evidence of impairment exists individually for loans that are individually significant (individual evaluation of impairment), and individually or collectively for financial assets that are not individually significant.

If the Company determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes the loan in a group of loans with similar credit risk characteristics and collectively assesses them for impairment (collective evaluation of impairment).

2. Significant accounting policies (continued)

① Individual assessment of impairment

Individual assessment of impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate and comparing the resultant present value with the loan's current carrying amount. This process normally encompasses management's best estimate, such as operating cash flow of borrower and fair value less cost to sell of any collateral held and the timing of anticipated receipts.

② Collective assessment of impairment

The methodology based on historical loss experience is used to estimate inherent incurred loss on groups of loans for collective evaluation of impairment. Such methodology incorporates factors such as type of product and borrowers, credit rating, portfolio size, loss emergence period, recovery period and applies probability of default (PD) on each loan (or pool of loans) and loss given default (LGD) by type of collateral. Also, consistent assumptions are applied to form a formula-based model in estimating inherent loss and to determine factors on the basis of historical loss experience and current condition. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

2) AFS financial assets

When a decline in the fair value of an AFS financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss (the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) that had been recognised in other comprehensive income is reclassified from equity to profit or loss as part of other operating income and expenses.

If, in a subsequent period, the fair value of an AFS debt instrument is classified as increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss as part of other operating income and expenses. However, impairment losses recognised in profit or loss for an AFS equity instrument classified as available for sale are not reversed through profit or loss.

3) Held-to-maturity financial assets

If there is objective evidence that an impairment loss on held-to-maturity financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Impairment loss of held-to-maturity financial assets is directly deducted from the carrying amount. The amount of the loss is recognised in profit or loss as part of other operating income and expenses. In case of financial asset classified as held-to-maturity, if, in a subsequent period, the amount of the impairment loss is decreased and objectively related to the event occurring after the impairment is recognised, the previously recognised impairment loss is reversed to the extent of amortised cost at the date of recovery. The amount of reversal is recognised in profit or loss as part of other operating income and expenses in the statement of comprehensive income.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the

2. Significant accounting policies (continued)

asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

2. Significant accounting policies (continued)

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the profit and loss account. Fair value is determined in the manner described in note 29.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in notes 20 and 29.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a current asset due after one year or a creditor due after more than one year if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

4. Analysis of total operating income

	2015 £	2014 £
By activity		
Fixed interest loans and deposits	513,524	438,930
Swap hedge interest	(2,432,145)	(2,695,035)
Investment income	4,874,882	5,133,728
(Loss)/Profit on financial assets at FVTPL	(3,009,646)	1,635,201
Profit/(Loss) on derivative assets	921,799	(1,369,284)
Profit/(Loss) on disposal of securities	554	(531)
Profit on disposal of shares	673,950	-
Profit on disposal of loan	52,828	-
Foreign exchange gain/(loss)	23,900	(14,348)
Fees and commissions	42,123	171,035
Other operating expenses	(10,430)	(10,635)
	1,651,339	3,289,061

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

5. Interest payable

	2015 £	2014 £
To Parent Company		
On Money Market Deposits	630,895	547,296
On Subordinated Loan	174,409	91,977
	805,304	639,273
To other companies		
On Term Deposits	951,782	1,092,794
On Repos	131,499	86,564
On Medium and Long-Term Funding	833,296	761,029
	1,916,577	1,940,387
In relation to interest asset swaps	4,396,145	4,742,081
Total	7,118,026	7,321,741

6. (Loss)/profit for the year

(Loss)/profit for the year has been arrived at after charging/(crediting):

	Notes	2015 £	2014 £
Depreciation		28,323	94,515
Auditor's remuneration			
- Audit		25,000	21,000
- Tax compliance services		5,525	5,525
- Other assurance services		13,000	-
Profit/(loss) on disposal of debt securities		554	(531)
Foreign exchange gain/(loss)		23,900	(32,219)
Operating lease rentals — office property	8	170,587	154,960

7. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the company's annual accounts were £25,000 (2014: £21,000).

Fees payable to Deloitte LLP and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

8. Operating lease arrangements

The company as lessee

	2015 £	2014 £
Lease payments under operating leases recognised as an expense in the year	170,587	154,960

At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2015 £	2014 £
Within one year	175,000	170,000
In the second to fifth years inclusive	608,425	761,041
	783,425	931,041

Operating lease payments represent rentals payable by the company for certain of its office properties. Leases are negotiated for an average term of 10 years and rentals are fixed for an average of 10 years.

9. Administrative expenses

	2015	2014
Staff costs	£	£
Wages and salaries	961,250	911,936
Social security costs	22,797	25,350
Other pension costs	9,903	11,771
Other staff costs	21,468	24,829
	1,015,418	973,886
Other administrative expenses	694,814	542,672
	1,710,232	1,516,558

The average monthly number of employees (including executive directors) was 10 (2014: 10).

	2015	2014
Directors' emoluments	£	£
Aggregate directors' emoluments	417,117	380,752
Highest paid director	214,196	171,707

10. Interest income and similar income

	2015	2014
	£	£
Interest income		
Interest income and similar income arising from debt securities:		
Held-to-maturity financial assets	4,843,190	5,133,728
Available-for-sale debt investments	31,691	-
	4,874,881	5,133,728
Other interest receivable and similar income		
Financial assets at FVTPL	3,235,406	2,047,046
Loan	1,963,999	3,018,590
Total interest income	5,199,405	5,065,636
	10,074,286	10,199,364

Notes to the financial statements (continued)
For the year ended 31 December 2015

11. Tax

	Note	2015 £	2014 £
Corporation tax:			
UK corporation tax		32,517	53,998
Adjustments in respect of prior years		(1,012)	(8,814)
Total current year tax charge		31,505	45,184
Deferred tax:	24		
UK corporation tax		(26,231)	-
Adjustments in respect of previous years		325,517	-
Effect of changes in tax rate		(28,807)	-
Origination and reversal of temporary differences		-	(3,575)
Total current year tax charge		270,479	(3,575)
Tax per profit or loss account		301,984	41,609
Other comprehensive income items:			
Current tax		(1,770)	-
		(1,770)	-

Corporation tax is calculated at 20.25 per cent (2014: 21.49 per cent) of the estimated taxable profit for the year.

The charge for the year can be reconciled to the profit in the profit and loss account as follows:

	2015 £	2014 £
(Loss)/profit on ordinary activities	(44,481)	1,018,989
Tax at the UK corporation tax rate of 20.25% (2014: 21.49%)	(9,006)	219,083
Effects of:		
Adjustments in respect of prior years	324,505	(8,814)
Expenses not deductible	15,292	7,620
Tax rate changes	(28,807)	22,581
Transitional adjustments	-	(198,861)
Tax charge for the period	301,984	41,609
Income tax expense reported in the profit and loss account	301,984	41,609

11. Tax (continued)

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised in other comprehensive income:

	2015 £	2014 £
Current tax	-	-
Deferred tax:		
Items that may be reclassified subsequently to profit or loss:		
Available for sale financial assets:		
Gains / (losses) arising during the period	1,770	-
Total income tax recognised in other comprehensive income	1,770	-

The difference between the tax at the UK corporation tax rate and total tax charge per the profit and loss accounts can be reconciled as follows:

	Gross £	Tax rate £	Net £	Expenses not deductible £	Tax rate changes £	Prior year adjustment £
Profit / (loss) per accounts	(44,481)	20.25%	(19,702)			
Total tax charge per profit and loss account			291,288			
Difference			310,990			
Permanent items:						
Expenses non deductible	75,531	20.25%	15,292	15,292		
Other adjusting items:						
Tax rate changes			(28,807)		(28,807)	
Current tax prior year adjustment			(1,012)			(1,012)
Deferred tax prior year adjustment			325,517			325,517
Total reconciling items			310,990	15,293	(28,807)	324,505

12. Dividends

	2015 £	2014 £
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2014	-	145,642
Interim dividend for the year ended 31 December 2015	-	-
	-	145,642
Proposed final dividend for the year ended 31 December 2015		-
	-	145,642

The payment of this dividend will not have any tax consequences for the Company.

13. Tangible fixed assets

	Fixtures and Fittings £	Office Equipment £	Total £
Cost			
At 1 January 2015	92,242	512,776	605,018
Additions	1,728	34,663	36,391
At 31 December 2015	93,970	547,439	641,409
Accumulated depreciation			
At 1 January 2015	38,904	465,912	504,816
Change for the year	9,356	18,967	28,323
At 31 December 2015	48,260	484,879	533,139
Carrying amount			
At 31 December 2015	45,710	62,560	108,270
At 31 December 2014	53,338	46,864	100,202

14. Loans and advances to banks

	2015 £	2014 £
Repayable:		
- within three months	15,322,069	9,634,889
	15,322,069	9,634,889

15. Loans and advances to customers

	2015 £	2014 £
Repayable:		
- within three months	14,689,517	26,088,306
- between three months and one year	57,375,059	58,404,186
- between one year and five years	60,419,348	46,696,241
- over five years	-	5,367
	132,483,924	131,194,100
Provisions held	(252,038)	(1,509,425)
Net of provisions	132,231,886	129,684,676

16. 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:

	2015 £
At 1 January 2015	1,514,139
Movements in foreign exchange rates	10,864
Charge for the year	-
Release for the year due to disposal of loan	(1,221,902)
Reversal for the year	(42,734)
At 31 December 2015	260,367
of which:	
in respect of loans and advances to customers	252,038
in respect of debt securities (private placement bonds)	7,611
in respect of equity shares	718
	260,367

Notes to the financial statements (continued)
For the year ended 31 December 2015

17. Financial assets at FVTPL

Financial assets at FVTPL	2015 £	2014 £
Due within one year	15,050,726	14,744,989
Due one year and over	91,810,724	95,715,673
	106,861,450	110,460,662
Listed Securities	106,861,450	110,460,662

Financial assets at FVTPL	2015 £	2014 £
Public ownership		
Issued by Government	1,600,496	6,901,391
Issued by other public sector bodies	4,851,337	1,325,223
Others		
Issued by banks	60,367,225	69,470,082
Issued by other issuers	40,042,393	32,763,964
	106,861,451	110,460,660

18. Financial investments

Held to maturity and available for sale	2015 £	2014 £
Due within one year	10,787,084	5,209,243
Due one year and over	10,698,145	15,576,091
	21,485,229	20,785,334

Held to maturity and available for sale	2015 £	2014 £
Public ownership		
Issued by supranational organisations	4,713,012	3,283,697
Issued by other public sector bodies	2,698,145	2,725,000
Others		
Issued by banks	7,574,072	7,709,243
Issued by other issuers	6,500,000	7,067,394
	21,485,229	20,785,334

18. Financial investments (continued)

	Current assets		Fixed assets	
	2015	2014	2015	2014
	£	£	£	£
Available-for-sale investments carried at fair value				
Investment securities	4,713,012	-	-	-
	4,713,012	-	-	-
Held-to-maturity investments carried at amortised cost				
Investment securities	6,074,073	5,209,243	10,698,145	15,576,091
	6,074,073	5,209,243	10,698,145	15,576,091
Total investments	10,787,084	5,209,243	10,698,145	15,576,091

19. Equity shares

	£
At 1 January 2014	767
Exchange rate movements	13
At 31 December 2014	780
Exchange rate movements	(24)
At 31 December 2015	756
Provisions held	(718)
At 31 December 2015 – net of provisions	38

20. Derivative assets and liabilities

	2015 £	2014 £
Derivative assets		
Due within one year	5,437	388,616
Due one year and over	401,709	219,391
	407,146	608,007

	2015 £	2014 £
Derivative liabilities		
Due within one year	301,770	312,369
Due one year and over	4,514,327	5,589,135
	4,816,097	5,901,504

2015	Notional	Derivative assets Trading £	Derivative liabilities Trading £
Interest rate swaps	98,409,699	75,461	4,653,344
Currency swaps	4,518,707	331,685	162,753
	102,928,406	407,146	4,816,097
2014			
Interest rate swaps	95,047,049	157,561	5,800,101
Currency swaps	8,867,181	450,446	101,402
	103,914,230	608,007	5,901,503

21. Deposits by banks

	2015 £	2014 £
Parent and related companies	74,763,408	79,104,020
Other banks	168,454,394	147,294,273
	243,217,802	226,398,293
Repayable:		
- within three months	17,426,784	12,993,622
- between three months and one year	185,417,300	149,399,489
- between one year and five years	40,373,718	64,005,181
	243,217,802	226,398,292

22. Securities sold under agreement to repurchase

	2015 £	2014 £
Other banks	18,397,087	18,667,451
Repayable:		
- between three months and one year	18,397,087	14,793,582
- between one year and five years	-	3,873,869
	18,397,087	18,667,451

23. Subordinated loans

	2015 £	2014 £
Repayable:		
- between one year and five years	10,118,044	9,627,728
- over five years	4,047,217	3,851,091
	14,165,261	13,478,819

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 (2014: US$21millon) and will mature in 2019 and 2024 respectively (2014: 2019 and 2024). The interest is reset periodically on the basis of the London interbank rate plus 0.62% and 1.52% respectively (2014: 0.62% and 1.52%).

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.

24. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Accelerated tax depreciation	Temporary differences trading	Tax losses	Total
	£	£	£	£
At 1 January 2014	(4,755)	-	-	(4,755)
Credit to profit or loss	(3,575)	-	-	(3,575)
At 1 January 2015	(8,330)	-	-	(8,330)
Prior year adjustment	-	326,315	(798)	325,517
Charge/(credit) to profit or loss	6,881	(61,999)	80	(55,038)
At 31 December 2015	(1,449)	264,316	(718)	262,149

Deferred tax assets and liabilities are offset where the Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2015	2014
	£	£
Deferred tax liabilities	262,149	-
Deferred tax assets	-	8,330
	262,149	8,330

In Note 11, a net deferred tax charge of £270,479 is reflected on a restated basis for 2014. This largely relates to a prior year adjustment of £325,517, being transitional adjustments in relation to derivatives and investment securities. A deferred tax liability of £262,149 has been recognised in 2015. The movement from a deferred tax asset of £8,330 as at 31 December 2014 (restated) to a deferred tax liability of £262,149 relates to the recognition of a deferred tax liability on the spreading of the transitional adjustments following conversion to FRS 101, offset by timing differences on fixed assets and tax losses.

25. Share capital

	2015 £	2014 £
Authorised:		
20,000,000 ordinary shares of £1 each	20,000,000	20,000,000
Issued and fully paid:		
20,000,000 ordinary shares of £1 each	20,000,000	20,000,000

26. Revaluation reserves

	Investments revaluation reserve £	Total £
Balance at 1 January 2015	-	-
Effect of change in tax rate		
(Decrease) in fair value of available-for-sale investments	(8,742)	(8,742)
Related income tax on the fair value movements of available-for-sale investments	1,770	1,770
Balance at 31 December 2015	(6,972)	(6,972)

27. Profit and loss account

	£
Balance at 1 January 2014	10,825,385
Dividends paid	(145,642)
Profit for the year	977,377
Transitional adjustment: deferred tax	(231,540)
Balance at 1 January 2015	11,425,580
Other comprehensive income	(6,972)
Net loss for the year	(346,466)
Transitional adjustment: deferred tax	2,034
Balance at 31 December 2015	11,074,176

28. Contingent liabilities

As of 31 December 2015, £7.1million (2014: £7.1million) of investment securities are pledged as collateral for swap transactions.

29. Financial Instruments

Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from 2014.

The capital structure of the Company consists of subordinated loans disclosed in note 23, equity of the company's parent, comprising issued capital and retained earnings as disclosed in notes 25 to 27.

The Bank is subject to the PRA and EU CRD IV capital requirements and is in compliance with the regulations.

Capital, leverage and Risk Weighted Assets (RWA)	Limit %	2015 %	2014 %
CET1 ratio	4.5	7.67	6.77
T1 capital ratio	6.0	7.67	6.77
Total capital ratio	8.0	10.67	10.24
Leverage ratio		9.91	9.96
RWA (£)		263,492,098	271,028,078

The Bank's capital ratios are all above the PRA current requirement. The Bank is not highly leveraged. Its leverage ratio of 9.91% is well ahead of the current known 2019 leverage requirement of 3.35%.

Categories of financial instruments

	2015 £	2014 £
Financial assets		
Cash and bank balances	3,246,838	2,585,599
Loans and advances to banks	15,322,069	9,634,889
Loans and advances to customers	132,231,886	129,684,676
Deb securities: private placement bonds	29,734,313	19,251,471
Financial assets at FVTPL	106,861,451	110,460,662
Financial investments		
Held-to-maturity investments	16,772,218	20,785,334
Available-for-sale financial assets	4,713,012	-
Derivative financial assets	407,146	608,007
Financial liabilities		
Deposits by banks	243,217,802	226,398,292
Securities sold under agreement to repurchase	18,397,087	18,667,451
Subordinated loan	14,165,261	13,478,819
Derivative financial liabilities	4,816,097	5,901,504

29. Financial instruments (continued)

Financial risk management objectives

The Group's Corporate Treasury function provides services to the company, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Company seeks to minimise the effects of these risks by using derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the parent company's board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Treasury function reports quarterly to the parent company's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

Market risk

The Company's activities expose it primarily to the financial risks of changes in interest rates and foreign currency exchange rates. The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- interest rate swaps to mitigate the risk of rising interest rates; and
- cross currency swaps to hedge exchange rate risk.

Market risk exposures are measured using value-at-risk (VaR) analysis supplemented by sensitivity analysis. There has been no change to the Company's exposure to market risks or the manner in which these risks are managed and measured.

Value-at-risk (VaR) analysis

The VaR measure estimates the potential loss in pre-taxation profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99 per cent VaR number used by the Company reflects the 99 per cent probability that the daily loss will not exceed the reported VaR.

VaR methodologies employed to calculate daily risk numbers include the historical and variance-covariance approaches. In addition to these two methodologies, Monte Carlo simulations are applied to the various portfolios on a monthly basis to determine potential future exposure.

Historical VaR (99 %, one-day) by risk type	Average		Minimum		Maximum		Year end	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Foreign exchange	54	200	1	22	147	960	113	89
Interest rate	728	715	116	198	1,300	1,836	507	1,100
Total VaR exposure	782	915	117	220	1,447	2,796	620	1,189

29. Financial instruments (continued)

While VaR captures the Company's daily exposure to currency and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in interest or foreign currency rates over a year. The longer time frame of sensitivity analysis complements VaR and helps the Company to assess its market risk exposures.

Interest rate risk management

Interest rate risk is managed by measuring interest rate Earnings at Risk ('EaR') and interest rate VaR and uses interest rate sensitivity gap and duration gap as supplementary index. Interest rate EaR and interest rate VaR are measured on a monthly basis and interest rate sensitivity gap and duration gap are measured on a daily basis. The Bank simulates analysis reflecting market environment, product features and the Bank's strategies.

The Company is exposed to interest rate risk because entities in the Company borrow funds at both fixed and floating interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring the most cost-effective hedging strategies are applied.

The Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at balance sheet date was outstanding for the whole year. A 2 per cent increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

	Average		Minimum		Maximum		Year end	
	2015	2014	2015	2014	2015	2014	2015	2014
EaR	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Interest rate EaR	478	337	129	78	1,353	501	480	449

Interest rate swap contracts

Under interest rate swap contracts, the Company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Company to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available, and if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate

29. Financial instruments (continued)

value of transactions concluded is spread amongst approved counterparties. 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.

The Bank controls the credit concentration risk exposure by applying and managing total exposure limits to prevent the excessive risk concentration to specific industry and specific borrowers. The Bank maintains allowances for loan losses associated with credit risk on loans and receivables to manage its credit risk. The Bank recognises impairment loss on loans with carrying amount at amortised cost when there is any objective indication of impairment. Impairment loss is based on losses incurred at the end of the reporting period and the Bank should not recognise expected losses that are probable due to future events. The Bank measures inherent incurred losses on financial assets classified as loans and receivables and presents it in the financial statements through the use of an allowances account which is charged against the related financial assets.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit rating agencies.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the Company has at its disposal to further reduce liquidity risk are set out below.

29. Financial instruments (continued)

Liquidity and interest risk tables

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the balance sheet date. The contractual maturity is based on the earliest date on which the Company may be required to pay.

	Weighted average effective interest rate	Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years	5 + Years	Total
	%	£	£	£	£	£	£
31 December 2015							
Variable interest rate instrument	1.14	87,688,670	158,586,709	28,515,131	-	-	274,780,151
Fixed interest rate instrument	-	-	-	-	-	989,640	989,640
	1.14	87,688,670	158,586,709	28,515,131	-	989,640	275,780,151
31 December 2014							
Variable interest rate instruments	0.92	118,717,070	111,375,662	24,421,309	3,873,869	-	258,387,910
Fixed interest rate instruments	-	-	-	-	-	156,650	156,650
	0.92	118,717,070	111,375,662	24,421,309	3,873,869	156,650	258,544,560

29. Financial instruments (continued)

The following table details the Company's expected maturity for its non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Less than 1 month £	1 - 3 months £	3 months - 1 year £	1 - 5 years £	5 + years £	Total £
2015						
Non-interest bearing	-	-	-	-	3,246,434	3,246,434
Variable interest rate instrument	47,969,743	155,700,327	87,175,597	11,369	-	290,857,036
Fixed interest rate instruments	2,672,584	3,348,737	8,020,676	735,915	38	14,777,950
	50,642,327	159,049,064	95,196,273	747,284	3,246,472	308,881,420
2014						
Non-interest bearing	-	-	-	-	2,585,599	2,585,599
Variable interest rate instrument	37,322,630	161,667,216	70,214,247	-	5,367	269,209,460
Fixed interest rate instruments	636,393	3,283,697	8,500,000	-	38	12,420,128
	37,959,023	164,950,913	78,714,247	-	2,591,004	284,215,187

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the reporting date.

The Company has access to financing facilities as described below, of which £124.8million were unused at the balance sheet date (2014: £113.6million). The Company expects to meet its other obligations from operating cash flows and the proceeds of maturing financial assets.

29. Financial instruments (continued)

The following table details the Company's liquidity analysis for its derivative financial instruments based on contractual maturities. The table has been drawn up based on the undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

	Less than 1 month £	1 - 3 months £	3 months - 1 year £	1 - 5 years £	5 + years £	Total £
2015						
Net settled:						
Interest rate swaps	2,698,145	-	12,141,653	81,569,901	2,000,000	98,409,699
Gross Settled:						
Currency swaps	-	-	-	4,518,707	-	4,518,707
	2,698,145	-	12,141,653	86,088,608	2,000,000	102,928,406
2014						
Net settled:						
Interest rate swaps	-	1,283,697	8,985,879	79,568,230	5,209,243	95,047,049
Gross Settled:						
Currency swaps	1,266,223	3,209,243	-	4,391,715	-	8,867,181
	1,266,223	4,492,940	8,985,879	83,959,945	5,209,243	103,914,230

Financing facilities

	2015 £	2014 £
Unsecured bank loan facilities (Parent Bank) with various maturity dates which may be extended by mutual agreement:		
- amount used	84,991,568	92,426,187
- amount unused	124,789,207	107,188,703
	209,780,775	199,614,890
Unsecured bank loan facilities with various maturity dates which may be extended by mutual agreement:		
- amount used	121,416,526	96,277,279
	121,416,526	96,277,279
Secured bank loan facilities with various maturity dates which may be extended by mutual agreement:		
- amount used	47,217,538	51,347,882
- amount unused	-	6,418,485
	47,217,538	57,766,367
Total amount used	253,625,632	240,051,348
Total amount unused	124,789,207	113,607,189

29. Financial instruments (continued)

Fair value measurements

The information set out below provides information about how the Company determines fair values of various financial assets and financial liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial instruments	Method of measuring fair value
Loans	As demand deposits and transferable deposits do not have maturity and are readily convertible to cash, the carrying amounts of these deposits are regarded as the nearest amounts of fair values. The fair values of other deposits are determined by a discounted cash flow model ('DCF model'). The DCF model is used to determine the fair value of loans. Fair value is determined by discounting the expected cash flows by contractual cash flows with prepayment rate taken into account by appropriate discount rates.
Investment securities	Trading financial assets and liabilities and AFS financial assets are measured at fair value using a quoted market price in an active market. If a quoted market price is not available, they are measured by using a price quoted by a third party, such as a pricing service or broker or using valuation techniques.
Derivatives	For over the counter (OTC) derivatives, fair value is determined using valuation techniques. The OTC derivatives are valued using the results of independent pricing services. The adjustment for credit risk is reflected in cash flow, and the bank's credit risk is considered in the discount rate.
Borrowings	Fair value is determined using DCF model discounting contractual future cash flows by appropriate discount rates. The adjustment for credit risk is reflected in cash flow, and the bank's credit risk is considered in the discount rate.

29. Financial instruments (continued)

Fair value of financial assets and financial liabilities that are not measured at fair value

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values:

	Carrying amount		Fair value	
	2015	2014	2015	2014
	£	£	£	£
Financial assets				
Loans and advances to banks	15,322,069	9,634,889	15,322,069	15,322,069
Loans and advances to customers	132,231,886	129,684,676	132,504,124	130,022,192
Debt securities: private placement bonds	29,734,313	19,251,471	29,950,639	19,516,329
Financial investments:				
- held-to-maturity securities investments	16,772,218	20,785,334	18,151,710	20,785,334
Financial liabilities				
Financial liabilities held at amortised cost:				
- deposits by the parent bank	88,928,670	92,582,839	85,009,617	92,474,551
- deposits by other banks	168,454,394	147,294,273	168,600,617	147,975,615
- securities sold under agreement to repurchase	18,397,087	18,667,451	18,397,087	18,667,451

Notes to the financial statements (continued)
For the year ended 31 December 2015

29. Financial instruments (continued)

Fair value hierarchy of financial assets and financial liabilities that are not measured at fair value

	Fair value hierarchy as at 31/12/15		
	Level 2	Level 3	Total
	£	£	£
Financial assets			
Loans and advances to banks	-	15,322,069	15,322,069
Loans and advances to customers	-	132,504,124	132,504,124
Debt securities: private placement bonds	29,950,639	-	29,950,639
Financial investments:			
- held-to-maturity securities investments	18,151,710	-	18,151,710
Total	48,102,349	147,826,193	195,928,542
Financial liabilities			
Financial liabilities held at amortised cost:			
- deposits by the parent bank	-	85,009,617	85,009,617
- deposits by other banks	-	168,600,617	168,600,617
- securities sold under agreement to repurchase	-	18,397,087	18,397,087
Total	-	272,007,321	272,007,321

	Fair value hierarchy as at 31/12/14		
	Level 2	Level 3	Total
	£	£	£
Financial assets			
Loans and advances to banks	-	15,322,069	15,322,069
Loans and advances to customers	-	130,022,192	130,022,192
Debt securities: private placement bonds	19,516,329	-	19,516,329
Financial investments:			
- held-to-maturity securities investments	20,785,334	-	20,785,334
Total	40,301,663	145,344,261	185,645,924
Financial liabilities			
Financial liabilities held at amortised cost:			
- deposits by the parent bank	-	92,474,551	92,474,551
- deposits by other banks	-	147,975,615	147,975,615
- securities sold under agreement to repurchase	-	18,667,450	18,667,450
Total	-	259,117,616	259,117,616

Notes to the financial statements (continued)
For the year ended 31 December 2015

29. Financial instruments (continued)

Fair value measurements recognised in the statement of financial position

	2015	
	Level 2	Total
	£	£
Financial assets at FVTPL		
Held to maturity	106,861,451	106,861,451
Derivative financial assets	407,146	407,146
Available-for-sale financial assets	4,713,012	4,713,012
Total	111,981,609	111,981,609
Financial liabilities at FVTPL		
Derivative financial liabilities	4,816,097	4,816,097
Total	4,816,097	4,816,097

	2014	
	Level 2	Total
	£	£
Financial assets at FVTPL		
Held to maturity	110,460,662	110,460,662
Derivative financial assets	608,007	608,007
Available-for-sale financial assets	-	-
Total	111,068,669	111,068,669
Financial liabilities at FVTPL		
Derivative financial liabilities	5,901,504	5,901,504
Total	5,901,504	5,901,504

There were no transfers between Level 1 and 2 during the current or prior year.

30. Controlling party

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
38 Eunhaeng-ro
Yeongdeungpo-gu
Seoul 07242
Republic of Korea

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