



Annual Report 2012

# TAKING ON CHALLENGES

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## Reference to our website

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## Profile

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

Korea Eximbank's primary services include Export Loans, Trade Finance, and guarantee programs structured to meet the needs of clients in a direct effort to both complement and strengthen the clients' competitiveness in global markets. The Bank also provides Overseas Investment Finance, Import Credits, and Financial Advisory and Structuring Services related to business opportunities abroad.

Furthermore, the Bank is responsible for the operation of two government funds: the Economic Development Cooperation Fund (EDCF), a Korean Official Development Assistance program, and the Inter-Korean Cooperation Fund (IKCF), an economic cooperation program to promote exchanges with North Korea.

The Bank strives to become "The Global Financial Partner Connecting Korea to the World" as formulated in its vision by continuously fostering innovation and growth throughout its operations.

# 2012 at a Glance

01

## Seven Korean Hidden Champions Crowned

After launching the Korean Hidden Champion Initiative in 2009, the Bank had selected 251 SMEs with high technological and business potential as Hidden Champion candidates. In July 2012, seven companies (MK Electron, Simone, etc.) were finally announced as Korean Hidden Champions. The celebrated companies possess cutting-edge technology and sustainable competitive advantage, with their products ranking among the top five in terms of global market share in their respective sectors. They are expected to become benchmarks for Korean SMEs as global leaders.



01



02

02

## USD 950 Million Provided for Power Plant Construction in Saudi Arabia

Korea Eximbank decided to provide USD 950 million in financing for the construction of a thermal power plant in Saudi Arabia. This project carries great significance as it represents the first case of a Korean company (Doosan Heavy Industries & Construction Co., Ltd.) winning an EPC (Engineering, Procurement & Construction) contract in Saudi Arabia on its own, outcompeting leading electricity companies around the globe. Furthermore, it is also the first case of an Asian ECA providing a direct loan to the Saudi Electricity Company. The project is anticipated to serve as a springboard for the expansion of Korean companies into the booming power plant market in the Middle East.

03

## Inaugural MENA (Middle East & North Africa) Conference

'Korea Eximbank MENA Conference 2012' was successfully held in April 2012. Major utility-energy companies and financial institutions from the Middle East and North Africa were invited to the conference, where they discussed on the topic of 'Shaping the Relationship between the MENA and Korea in a New Global Context' with Korean companies and government officials. The conference helped Korean companies explore new strategies to win projects in MENA and offered them a unique opportunity to network with major players in the MENA region.



05



04

## First Core Strategy Seminar Held for Clients

In February 2012, Korea Eximbank held the first 'Core Strategy Seminar', inviting major Korean exporters. Over 450 delegates from 220 exporters attended the seminar, with the Bank's officials introducing its key policies and core financing strategies for the year 2012. The Bank presented its plans to increase cooperation with commercial banks and to strengthen its financial advisory and structuring services in order to expand financing for large-scale overseas projects. The Bank will hold the seminar on a regular basis to familiarize its customers to its financial services.



04

05

## First Joint Financing with Korean Commercial Banks

To strengthen financial support to Korean companies competing for overseas projects, the Bank had concluded MOU's with eight Korean commercial banks in 2011. Such cooperation bore fruit for the first time in 2012, with Korea Eximbank providing USD 120 million in project financing jointly with Shinhan Bank and Woori Bank for the Intelligent Transportation Systems Project in Colombia. This project, which will be constructed and operated by LG CNS, involves the development of intelligent transportation systems in Bogota, Colombia, including a public transportation card system and a traffic information system.



06

06

## Global Bond Issued at the Lowest Yield Spread since the Global Financial Crisis in 2008

In November, Korea Eximbank successfully issued a global bond with a face value of USD 1 billion with the lowest yield spread among bonds issued by Korean institutions since the global financial crisis in 2008. Prior to this issuance, the Bank also issued a global bond at the beginning of the year with a face value of USD 2.25 billion, which still remains the largest issue by a Korean entity. These record-breaking issuances have set significant benchmarks for Korean bond issuers, and the funds thus raised will be utilized to fund the participation of Korean companies to projects in major industries such as power plants and green growth.



07

07

## KRW 1.1 Trillion of Credit Provided Through the Global PaSS Program

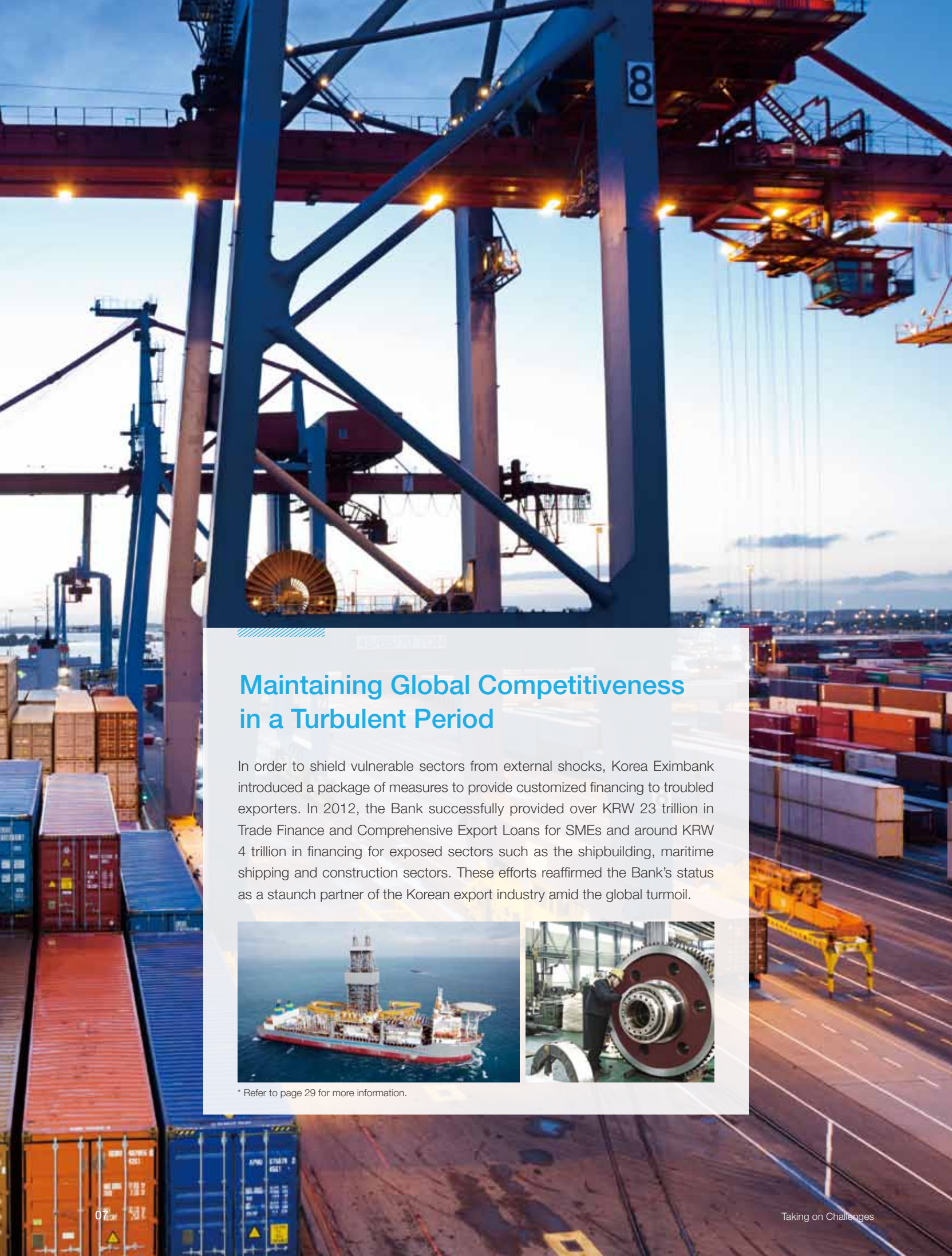
Korea Eximbank provided a total of KRW 1.1 trillion through the Global PaSS program which was launched in 2011 with the aim of fostering shared and inclusive growth. As part of this program, the Bank concluded Shared Growth MOUs with 40 large companies in the shipbuilding, construction, automobile and IT industries to cooperate in offering a host of services to their SME partners, including overseas market development, management consulting, and technical advice. The continued efforts by the Bank to promote the program are anticipated to enhance cooperative relationships between Korean companies of various sizes and enable them to achieve shared growth in their expansions into the global market.



05







## Maintaining Global Competitiveness in a Turbulent Period

In order to shield vulnerable sectors from external shocks, Korea Eximbank introduced a package of measures to provide customized financing to troubled exporters. In 2012, the Bank successfully provided over KRW 23 trillion in Trade Finance and Comprehensive Export Loans for SMEs and around KRW 4 trillion in financing for exposed sectors such as the shipbuilding, maritime shipping and construction sectors. These efforts reaffirmed the Bank's status as a staunch partner of the Korean export industry amid the global turmoil.



\* Refer to page 29 for more information.







## Continued Support for Large-scale Overseas Projects

In 2012, Korea Eximbank successfully supported Korean exporters with loans and guarantees, helping them win contracts for multi-billion dollar global projects in 'strategic industries' such as infrastructure, green technology, and natural resources. At the end of 2012, the Bank was named the 'Global Multilateral of the Year' by the project finance magazine PFI (Project Finance International). It was a recognition of the Bank's role in leading numerous deals with adequate financing despite unfavorable market conditions.



\* Refer to page 31 for more information.









## Promoting the Sustainable and Balanced Growth of Korea's Economy

To support SMEs with advanced technologies and high growth potential, Korea Eximbank launched the Hidden Champion Initiative and the Shared Growth Program in 2009 and 2011, respectively. As a result of continuous support, the first seven Korean Hidden Champions were born in 2012, which maintain sustainable market dominance in their respective sectors. Also, 40 Shared Growth MOUs were signed in 2012 with large companies, and KRW 1.1 trillion was provided to support SME exporters entering overseas markets with large companies or supplying goods and services to such companies.



\* Refer to page 32-33 for more information.



# Message from the Chairman and President

In 2012, Korea Eximbank rose to the double challenge of shielding domestic industries from the adverse effects of the ongoing financial uncertainty, while seizing new opportunities in markets abroad through its conspicuous role in financing large-scale projects.

2012 was a year of both crisis and opportunity. Against the backdrop of a deepening eurozone debt crisis, worries of a US fiscal cliff, and the slowing growth of China's economy, Korea seized new opportunities in emerging markets in the Middle East and Africa to increase exports, achieving the highest trade surplus in its history and attaining a trade volume of USD 1 trillion for the second consecutive year.

While credit ratings of many developed countries have been downgraded, Korea's sovereign rating was revised upwards by all three major credit rating agencies – Moody's, S&P, and Fitch. Korea also became the seventh country in the world with a population size above 50 million and a per capita GDP above USD 20,000. Perhaps most significantly, Korea became the host country for the Secretariat of the Green Climate Fund, by far the most important multilateral institution in the field of green finance.

I believe these achievements were made possible by Korea Eximbank's firm supporting role as a policy arm of the Korean government. As a trusted partner of Korean exporters, Korea Eximbank has extended a record-breaking KRW 71.6 trillion in credit last year.

## Key achievements of Korea Eximbank in 2012

- Our bank has provided KRW 23.5 trillion to high value-added industries such as the industrial plant industry and the green industry. As a guarantor of market stability, we have also supplied KRW 4 trillion of liquidity to industries facing shortages of financing from commercial banks, such as the shipbuilding, maritime shipping and construction industries.
- SMEs, an important component of a healthy and sustainable economy, received KRW 15.1 trillion in financing support. Our bank established a model of shared and inclusive growth among large companies, SMEs, and the wider society through our "Global PaSS Program", launched in 2011, providing KRW 1.1 trillion in financial support for SMEs to date. Our Hidden Champion Initiative, launched in 2009, has since produced seven Korean Hidden Champions, or globally competitive SMEs exporting more than USD 300 million annually.



- Our financial advisory and structuring services enabled us to sign 15 project-financing deals totaling USD 19.3 billion by enhancing our profile among project sponsors. Korea Eximbank was thus able to offer Korean firms a decisive advantage in winning overseas contracts as well as in securing adequate funding for their projects.
- In order to secure foreign currency funds that are indispensable for overseas projects, Korea Eximbank raised a record USD 11 billion by issuing international bonds at the lowest interest rate for a Korean borrower since the Financial Crisis in 2008, once again setting a benchmark for other Korean issuers.
- Our successful hosting and organization of global conferences such as the Korea-Africa Economic Cooperation (KOAPEC) Ministerial Conference and the Latin America-Korea Investors Forum contributed significantly to Korea's hosting of the Green Climate Fund. In addition, we have hosted a number of seminars for domestic companies in order to impart to our clients customized strategies for winning overseas contracts.

Korea Eximbank's multi-dimensional efforts as a key player in the world of project finance resulted in a significant recognition for the agency, when it was named the '2012 Global Multilateral of the Year' by the project finance magazine PFI (Project Finance International).

### Effective Operation of Government Entrusted Funds, EDCF and IKCF

Korea Eximbank is also entrusted with the operation of two government funds, the Economic Development Cooperation Fund (EDCF) and the Inter-Korean Cooperation Fund (IKCF).

Through EDCF, we have committed KRW 1,204 billion in official development assistance (ODA) loans in 2012. We have contributed to the sustainable development of partner countries by focusing our aid on large infrastructure projects and green projects in developing countries. Our bank has also optimized the effectiveness of aid by expanding cooperation and co-financing with multilateral development banks.

On the IKCF side, Korea Eximbank undertook an overall reform of the IKCF program and supported the government's 'Unification Jar' fundraising initiative to cover the potential cost of unification - all the while building its capacity to immediately commit resources in the event of a resumption in inter-Korean economic cooperation. Furthermore, we have strengthened our capability to conduct research on North Korea and expanded our network of collaborators by hosting Inter-Korean Cooperation Conferences and seminars inviting experts from home and abroad.

## The Year Ahead

2013 will mark the first year of the newly elected administration in Korea. Korea Eximbank plans to support the policies of the Park administration by providing KRW 50 trillion in loans and KRW 24 trillion in guarantees, a total of KRW 74 trillion, with a focus on growth and employment.

Specifically, we will undertake the following efforts in 2013.

- We will provide KRW 21 trillion for the industrial plant sector to support Korean firms in their race to win contracts in the competitive global markets. We will also provide KRW 5.5 trillion for green growth projects and KRW 2.1 trillion for natural resource development projects overseas to develop future drivers of growth such as clean energy, water, and overseas agriculture.
- An SME Support Group will be established to increase support for SMEs, whose growth is crucial for the creation of decent jobs. Through this group, we will provide up to 45% of our total loan volume, or KRW 22.5 trillion, to support the globalization efforts of SMEs.
- The Global PaSS Program, our unique program to promote shared and inclusive growth among large companies, SMEs, and the wider society, will be expanded to include primary vendors to large corporations as partners with whom our bank will sign Shared Growth MOUs. We will also strive to strengthen the global competitiveness of Korean SMEs by providing KRW 5.8 trillion to candidates of the Hidden Champion Initiative.
- We will strengthen our role as a stabilizing force in the market by providing KRW 5 trillion of liquidity for industries such as shipbuilding, maritime shipping, and construction which are experiencing trouble obtaining financing due to the economic downturn.
- Last but not least, we will continue to live up to our social responsibilities as a corporate citizen. We have allocated KRW 5 billion for the purpose of serving our community, a 22% increase from 2012. As well as bringing warmth to the underprivileged through sharing, we will also mobilize our unique skills and resources to help newer members of our society, such as multicultural families and resettled North Koreans, to realize their dreams and potentials.


The year 2013 presents challenges for Korean companies as many anticipate increased trade frictions and a rising wave of protectionism. Korea Eximbank will vigorously tackle unprecedented challenges to promote job creation and growth by facilitating exports. We will work to create new opportunities for Korean companies abroad by cementing our ties with developing countries, as well as to promote sustainable growth at home by championing the development of new growth engines.

We look forward to your continued interest in our bank.

Yong Hwan Kim, Ph. D  
Chairman & President





A man with dark hair and glasses, wearing a dark suit, white shirt, and patterned tie, is seated at a dark, reflective desk. He is smiling and looking slightly to the right. His hands are resting on the desk. The background is a bright, out-of-focus window showing a city skyline.

“The year 2013 presents challenges for Korean companies as many anticipate increased trade frictions and a rising wave of protectionism. Korea Eximbank will vigorously tackle unprecedented challenges to promote job creation and growth by facilitating exports.”



# Senior Management

YONG HWAN KIM

Chairman & President



KI-SUB NAM

Deputy President



SUN-YOUNG BAE

Auditor



SEOP SHIM

Senior Executive Director  
Head of EDCF Coordination  
Group



YOUNG-WHAN SUL

Senior Executive Director  
Head of Planning &  
Coordination Group



#### IL-DONG PARK

Executive Director  
Head of New Growth Industry  
Credit Group



#### YOUNG-PYO HONG

Executive Director  
Head of Export Credit Group



#### MAN-IK CHANG

Executive Director  
Head of Trade &  
Investment Credit Group



#### SUNG-HWAN CHOI

Executive Director  
Head of Treasury &  
International Relations  
Group



#### SEONG-HYEOG YIM

Executive Director  
Head of EDCF Operations  
Group



#### HEUNG-SIK MIN

Executive Director  
Head of Inter-Korean  
Cooperation Fund Group





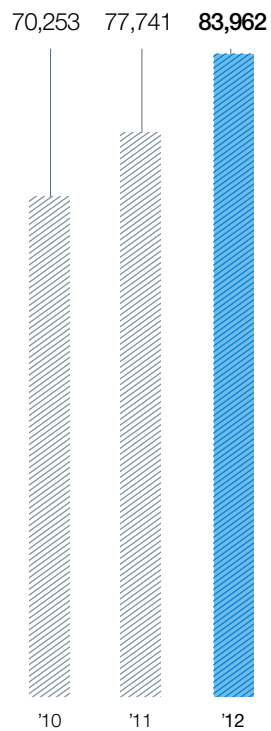
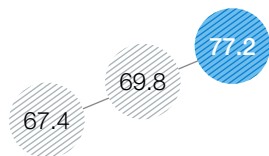
# Financial Highlights

	2012		2011
	KRW billion	USD million	KRW billion
<b>FOR THE YEAR</b>			
<b>Commitments</b>	<b>83,962</b>	<b>74,518</b>	77,741
Loans	64,851	57,559	54,294
Guarantees	19,111	16,959	23,447
<b>Disbursements</b>	<b>71,575</b>	<b>63,525</b>	67,285
Loans	49,728	44,138	42,840
Guarantees	21,847	19,387	24,445
<b>Net Income</b>	<b>149</b>	<b>139</b>	147
Applied Exchange Rate (KRW/USD) <sup>1</sup>		1,126.9	
<b>AT YEAR-END</b>			
<b>Loans Outstanding</b>	<b>44,721</b>	<b>41,752</b>	45,703
<b>Guarantees Outstanding</b>	<b>39,380</b>	<b>36,766</b>	42,470
<b>Total Assets</b>	<b>54,588</b>	<b>50,965</b>	55,133
<b>Paid-in Capital</b>	<b>7,138</b>	<b>6,664</b>	6,259
Applied Exchange Rate (KRW/USD) <sup>2</sup>		1,071.1	
<b>BIS RATIO</b>		<b>11.6%</b>	10.6%

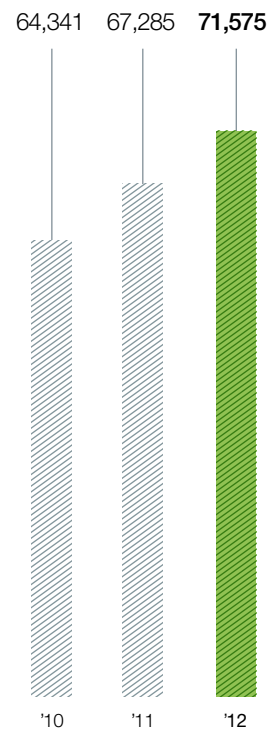
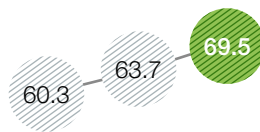
<sup>1</sup> Yearly average rate

<sup>2</sup> Rate on December 31, 2012

### Total Commitments

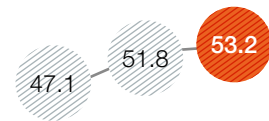


### Total Disbursements

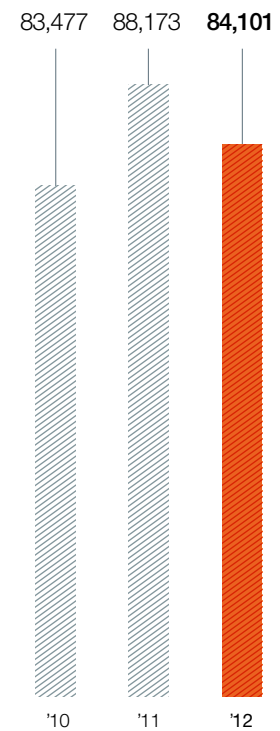


### Year-end Outstanding

○ Percent of loans



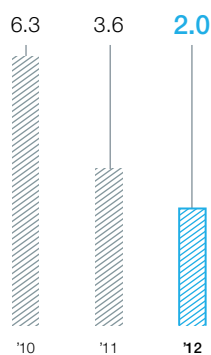
KRW billion



# Economic Situation and Outlook

In recent years, the world economy has been beset by sluggish growth and uncertainty. Despite this, Korea is expected to shake off the effects of the ongoing global economic downturn and achieve growth of around 3% in 2013.

**Real GDP Growth Rate**  
(%)



\* Source: Bank of Korea

Korea recorded an annual GDP growth rate of 2.0% in 2012, down from the previous year's growth of 3.6%. The growth rates of exports and private consumption declined compared to the year before while the growth of facilities investment turned negative and construction investment remained depressed.

Overall in 2012, Korea's pace of growth has been slowed by fears of global recession and weakened trade with key partners. However, Korea maintained resilience in trade and achieved a trade volume of over USD 1 trillion for the second consecutive year, becoming the world's eighth largest trading nation.

## Trade Trends in 2012<sup>1</sup>

Korea's exports and imports (custom-clearance basis) decreased 1.3% and 0.9% respectively, year-on-year, to record USD 548.2 billion in exports and USD 519.5 billion in imports.

A more detailed sector-by-sector analysis reveals that shipments of petroleum products and automobiles posted robust gains while exports of ships and wireless communication devices fell due to worsening global market conditions and rising overseas production. Petroleum products accounted for the largest share of exports for the year with USD 56.2 billion, followed by semiconductors with USD 50.4 billion.

By region, Korea's exports registered positive growth rates in the United States, ASEAN and the Middle East - a result of Korea's ongoing efforts to facilitate trade with emerging markets and the conclusion of free trade agreements with these countries. However, Korea's exports to other regions shrank sharply due to the global economic slowdown. Exports to Africa contracted most dramatically by 36.4%, followed by the European Union (12.5%) and Latin America (9.0%).

Meanwhile, a fall in global commodity prices combined with weakened domestic demand resulted in a 0.9% contraction in imports. Imports of raw materials, capital goods and consumer goods all posted negative growth.

Korea recorded a trade surplus of USD 28.6 billion, affirming its status as a net exporter for the fourth consecutive year.

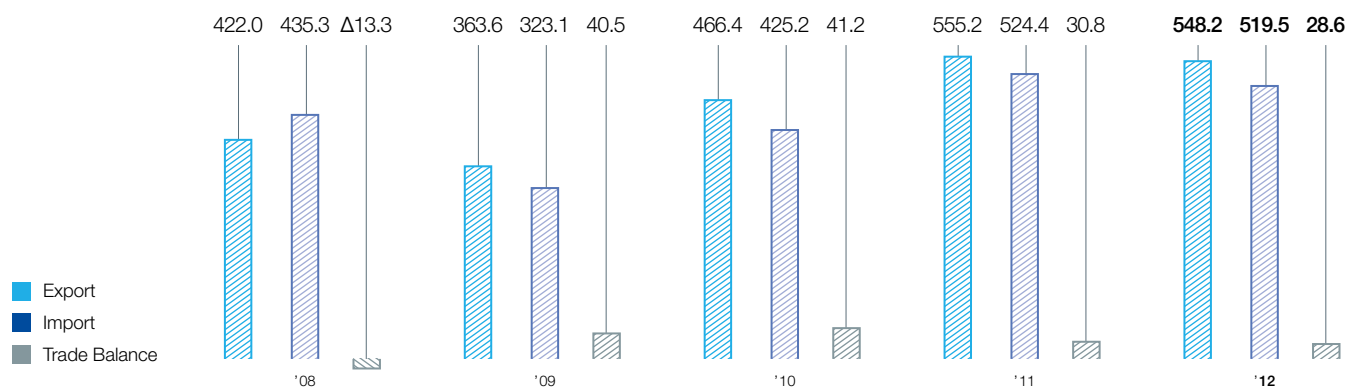


<sup>1</sup> "Trade Figures for 2012", released by the Ministry of Knowledge and Economy (Jan. 3, 2013)



## Exports, Imports and Trade Balance

(USD billion)



## Outbound FDI Trends in 2012

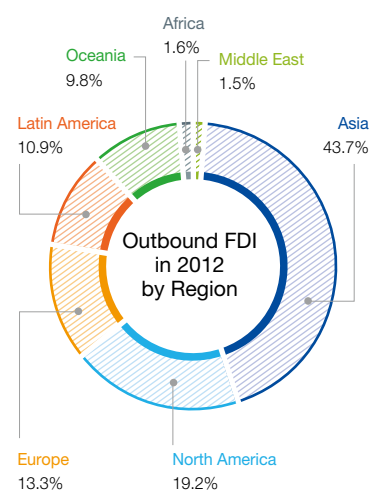
The global economy is still recovering but the pace of recovery has slowed mainly due to sluggish economic growth in the developed world. In this context, Korean investments to foreign countries have declined substantially. Korea's outbound FDI in 2012 decreased by 12.6% to USD 23.2 billion, the first negative annual growth recorded since 2009, when it contracted by 14.7%. Notably, the number of enterprises newly established in foreign countries by Korea's outbound FDI also decreased 10.5% from 2011 to 2,470.

While investment destinations worldwide were diversified to 123 countries in 2012 alone, investment in the United States, China, and Australia accounted for 40.1% of total outbound FDI – a slight decrease from last year's 41.5%.

By investment category, the manufacturing sector received the greatest amount of investment, or USD 7.4 billion, of which USD 4.9 billion went to manufacturing projects in Asia, representing a decrease of 16.3% from 2011. The second largest portion of investments went to the mining sector, followed by the professional, scientific and technical services sector. The mining sector of North America accounted for the greatest share of mining sector investments, absorbing USD 2.4 billion out of USD 7.0 billion. A total of USD 2.6 billion was invested in the professional, scientific and technical services sector. Outbound FDI to these three sectors recorded growth rates of Δ9.8% (manufacturing), Δ7.7% (mining), and 11.5% (professional, scientific and technical services), respectively.

### Outbound FDI (Annual Flow)

	2008	2009	2010	2011	2012
Amount (USD billion)	23.88	20.38	24.37	26.49	23.16
Change (%)	7.1	Δ14.7	19.6	8.7	Δ12.6



## Outlook for 2013<sup>2</sup>

In 2013, the Korean economy is projected to grow at a moderate pace of 3.0%. While the Korean economy is expected to grow at a relatively low rate of 2.2% in the first half due to lingering uncertainties in the eurozone, it is anticipated to pick up in the second half to reach 3.7% as uncertainties are gradually resolved.

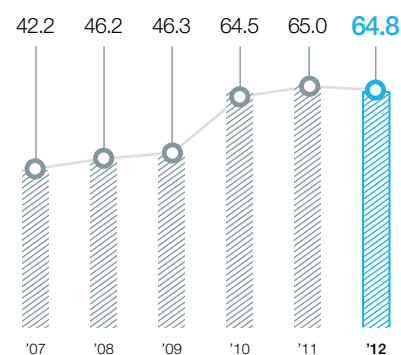
Private consumption is expected to grow by a modest 2.7% on the back of a recovery of consumer sentiments and an increase in real purchasing power. Facility investment is forecast to pick up gradually, recording a growth rate of 3.5%, thanks to a recovery of IT investments and a continued rise of non-IT investments. Construction investment is also expected to increase by 2.0% led by civil engineering and non-residential construction.

Exports are expected to grow faster than in 2012 and the contribution of exports to growth is forecast to outstrip that of domestic demand in 2013. Exports are forecast to register a growth rate of 4.3% in 2013 as the world economy gradually recovers and the volume of trade increases. Similarly, imports are projected to grow by 4.6% as import demand increases in tandem with the recovery of domestic markets.

## Industrial Outlook for 2013

Plant Contracts Awarded to Korean Contractors

(USD billion)



**The Plant Industry<sup>3</sup>** Even amid the downturn in the world economy and political unrest in the Middle East, the total value of overseas plant construction projects awarded to Korean builders in 2012 amounted to USD 64.8 billion, close to the previous year's record high of USD 65.0 billion.

Because of political unrest in the Middle East, plant orders from the region fell sharply by 15.2%. However, Korea was successful in expanding its presence in emerging markets, and the volume of plant orders from Asia and Africa grew by 17.9% and 32.1%, respectively.

The decrease in Middle Eastern orders helped to ease Korea's over-reliance on the Middle East and resulted in a more even geographical distribution of markets for the plant industry. Orders from Saudi Arabia amounted to USD 15.8 billion, which made up 75.5% of the orders from the Middle East.

By sector, offshore facilities enjoyed the highest growth rate of 23.8%, driven mainly by Korea's competitiveness in high-end segments such as drillships and FPSO (Floating Production Storage and Offloading). On the other hand, exports of industrial facilities fell steepest by 50.3% from 2011, a year that saw a spike in contract volume as a result of a mega-scale project worth USD 4.3 billion awarded to a Korean company. In terms of project scale, the value of individual contracts awarded to Korea has been increasing, with orders valued higher than USD 0.5 billion making up over 80% of all orders in 2012.

In 2013, the growth of the plant market will likely slow due to an expected stabilization of oil prices. Nevertheless, the total value of overseas projects awarded to Korean companies is anticipated to reach USD 70.0 billion, backed by robust demand for infrastructure in Asia and other regions.

<sup>2</sup> "Economic Outlook for 2013", released by the Ministry of Strategy and Finance (Dec. 27, 2012)

<sup>3</sup> "Overseas Plant Orders Maintain Last Year's Record-High Level in spite of the Global Economic Recession", released by the Ministry of Knowledge and Economy (Jan. 8, 2013)

**The Shipbuilding Industry<sup>4</sup>** As a result of the global recession, difficulties in securing financing and the oversupply of ships, the global shipbuilding industry did not fare well in 2012. The global total for shipbuilding orders recorded 21.3 million CGT (Compensated Gross Tonnage), down 36.8% from the previous year.

Korean shipbuilders secured 7.5 million CGT, which translates into USD 30.0 billion in contract amount for the year 2012. Even though the CGT figure is down 45.7% from the previous year, Korean shipbuilders took up 35% of the global orders and maintained its leadership in securing new orders in CGT terms for the second consecutive year.

Korea strengthened its comparative advantage in the global high value-added ship sector as Korean shipbuilders secured a 73% share of the world's LNG vessel market and a 67% share of the drillship market. Korea is also on its way to seizing the opportunity in the green ship market with its highly efficient and environmentally friendly ships.

In 2013, the possibility of continued global economic uncertainties coupled with oversupplied fleets may lead to stagnating demand. However, demand for offshore facilities and LNG carriers is forecast to remain strong and Korea's shipbuilding industry is expected to secure USD 58.8 billion in new contracts with its competitive advantage in high value-added ships.

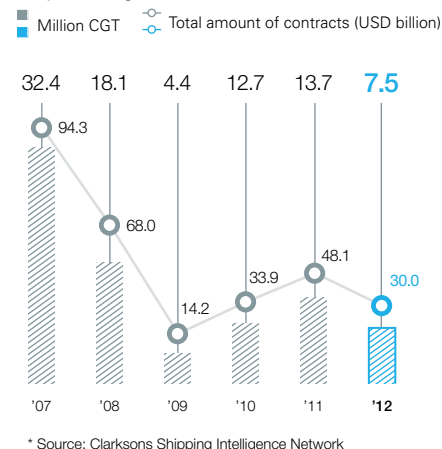
**The IT Industry<sup>5</sup>** In 2012, Korea's IT exports amounted to USD 155.2 billion, a 0.9% decline from the previous year's total of USD 156.6 billion, owing to unfavorable global market conditions such as the European sovereign debt crisis. Still, Korea's enhanced competitiveness in non-memory chips, previously considered an area of weakness for the Korean IT industry, enabled the IT sector to achieve a trade surplus of USD 77.3 billion, almost triple the national trade surplus of USD 28.6 billion.

By sector, semiconductors accounted for the largest share of IT exports with USD 50.4 billion, driven by the export of non-memory semiconductors. Korea acquired a global smartphone market share of nearly 40% and maintained its dominance in the global mobile phone market. Display panel exports continued to show resilience largely due to strong demand for organic light emitting diode (OLED) panels, which grew 128% year-on-year. Exports of premium TVs proved resilient despite the shrinking global market and the increasing offshoring of production. Exports of computers and related devices also grew despite the dampening of the PC market, led by strong performances in the tablet PC and solid state drive (SSD) sectors.

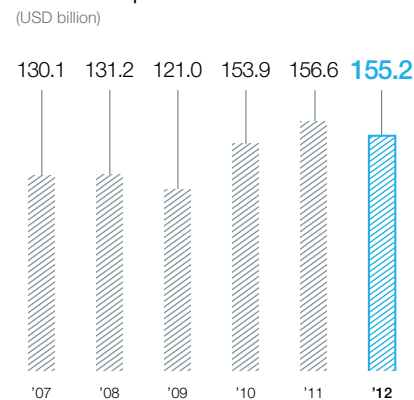
While IT exports to developed economies such as Japan, the United States and European Union declined, exports to other regions including China and ASEAN rose significantly. In particular, exports to China rose for the eleventh consecutive year, accounting for more than 50% of all IT exports in 2012.

The world IT market is expected to recover modestly in 2013, and demand for non-memory chips and smartphones in the emerging markets are likely to keep growing. Against this background, Korean IT exports are projected to increase by 5.5% to USD 163.8 billion.

#### Shipbuilding Contracts



#### IT Sector Exports



<sup>4</sup> "Korea Retains Global Shipbuilding Leadership in 2012", released by the Ministry of Knowledge and Economy (Jan. 8, 2013)

<sup>5</sup> "IT Trade Figures for 2012", released by the Ministry of Knowledge and Economy (Jan. 11, 2013)



# OPERATION REVIEW



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As Korea's leading  
export credit agency,  
Korea Eximbank strives  
to connect the Korean  
economy to the rest of the  
world, not simply by facilitating  
trade and overseas investments  
but also by serving the global  
community and promoting  
exchanges with North Korea.



# Bank Account Activities

Actively working to assist the Korean economy during this prolonged economic slowdown, Korea Eximbank has disbursed record amounts of credit through loans, guarantees, and other financial services.

## Bank Operations

In 2012, Korea Eximbank continued to play an essential role in the Korean economy against the backdrop of a prolonged global economic slowdown and the ensuing credit crunch. The Bank actively implemented measures to help Korean industries maintain and increase their competitiveness in the global market.

Through such measures, the Bank disbursed a total credit amount of KRW 71.6 trillion (KRW 49.7 trillion in loans and KRW 21.9 trillion in guarantees) equivalent to USD 63.5 billion, a 6.4% increase from the previous year and also the highest financing volume attained by the Bank since its establishment in 1976.

By type of financing, Export Loans accounted for the largest share of the Bank's lending program (KRW 36.7 trillion or USD 32.6 billion, 73.8%), followed by Overseas Investment Finance (KRW 8.1 trillion or USD 7.2 billion, 16.3%) and Import Credits (KRW 4.9 trillion or USD 4.4 billion, 9.9%).

Such loan facilities were complemented by the Bank's guarantee programs, which consisted of Financial Guarantees (KRW 1.8 trillion or USD 1.6 billion, 8.4%), Project-related Guarantees (KRW 17.4 trillion or USD 15.4 billion, 79.7%), and other guarantees (KRW 2.6 trillion or USD 2.3 billion, 11.9%).

Regionally, Asia was the largest destination for the Bank's financing, accounting for 39.7% of the total disbursement, followed by the Middle East (20.7%), Europe (19.2%), and North America (12.1%).





## Export Loans

In 2012, the disbursement of Export Loans increased by 15.0% to KRW 36.7 trillion (USD 32.6 billion), reflecting the Bank's role in boosting Korean exports. This increase was mainly due to a surge in the use of Trade Finance facilities (total disbursement amount: KRW 15.4 trillion or USD 13.6 billion) including Export Factoring and Forfaiting resulting from an increase in market demand for non-recourse loan facilities.

Other categories of Export Loans including Pre-shipment Credits and Comprehensive Export Loans for small and medium enterprises (SMEs) also took up sizeable shares of disbursements in 2012. Pre-shipment Credits, which support exporters by providing liquidity needed to produce export goods before payment from buyers, were disbursed in the amount of KRW 8,406 billion (USD 7,463 million). KRW 6,859 billion (USD 6,089 million) of Comprehensive Export Loans for SMEs was provided on the basis of their past export performances.

By industry, the largest share of Export Loans (disbursement basis) went to industrial plants with KRW 9,651 billion (USD 8,564 million, 26.3%), followed by petrochemical products with KRW 5,121 billion (USD 4,545 million, 14.0%), and transportation equipments with KRW 4,722 billion (USD 4,190 million, 12.9%). The percentage of Export Loans allocated to the shipbuilding industry fell from 22.6% in 2010 and 14.9% in 2011 to 9.0%, which reflects not just the depression of the industry, but also the Bank's efforts to diversify the sectors supported.

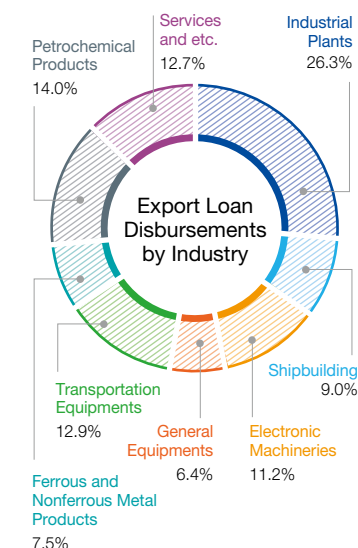
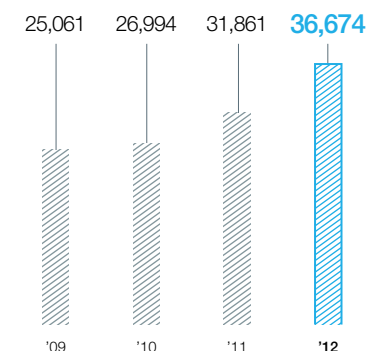
**Direct Loans** Direct Loans, or buyers' credits, are a type of export loan facility which assists foreign buyers purchase Korean goods and services. Under this program, the Bank directly enters into loan agreements with foreign buyers and provides them with funds for payment to Korean exporters.

During the year 2012, disbursements made under Direct Loan facilities have decreased by 32.2% from that of 2011 to KRW 1,575 billion (USD 1,398 million) while commitments of Direct Loans amounted to KRW 14,841 billion (USD 13,170 million), a 218.4% increase from the previous year. Since drawdowns under Direct Loan facilities occur over a period of 2-3 years, the decrease of disbursements in 2012 can be attributed to the market slump during the global financial crisis in 2008 and 2009.

**Interbank Export Credits** Interbank Export Credits (IECs) are credit facilities offered to foreign banks in the form of a credit line that can be utilized for loans to their clients importing Korean goods or conducting business with Korean subsidiaries.

The amount disbursed under IECs increased by 28.5% to KRW 1,505 billion (USD 1,335 million) in 2012 from 1,171 billion (USD 1,057 million) in 2011.

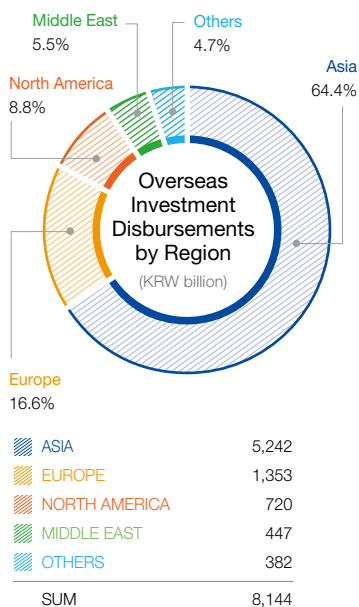
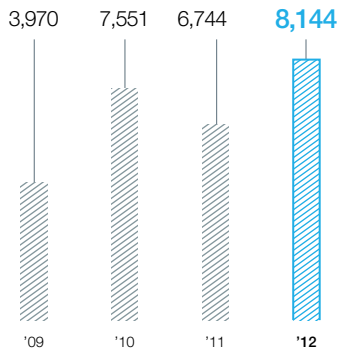
Export Loan Disbursements  
(KRW billion)



Daewoo Shipbuilding and Marine Engineering Co., Ltd.'s Semi-submersible Offshore Drilling Rig which was Supported under the Bank's Interbank Export Credit Facility

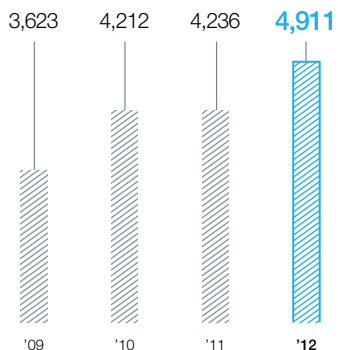
### Overseas Investment Finance Disbursements

(KRW billion)



### Import Credit Disbursements

(KRW billion)



Such an increase was made possible through the implementation of new financing solutions tailored to suit the changing needs of Korean exporters. A noteworthy IEC project in 2012 is the provision of USD 300 million to a Brazilian bank for the export of a semi-submersible offshore drilling rig by Daewoo Shipbuilding and Marine Engineering Co., Ltd. to a Brazilian operator. This project is the first to be supported through co-financing under the Bank's interbank export credit line, along with a Japanese commercial bank. To meet the demand for large-scale financing that grows in tandem with the size of projects, the Bank has mobilized market liquidity by providing a guarantee to the Japanese bank.

The total volume of credit lines extended as of the end of 2012 stood at USD 4,186 million for 41 banks in 18 countries. Major clients of this program include creditworthy banks in emerging countries such as Brazil, Russia, and Turkey.

**Trade Finance** The total amount of Trade Finance provided in 2012 increased by 188.9% to KRW 15.4 trillion (USD 13.6 billion) as a result of the Bank's efforts to provide abundant liquidity to Korean exporters. Specifically, disbursements under Export Factoring facilities rose more than fivefold and Forfaiting disbursements increased by 62.1% as the demand for non-recourse financing facilities increased under the K-IFRS regime.

**Pre-shipment Credits** The disbursed volume of Pre-shipment Credits in 2012 slightly decreased by 7.3% from the previous year to KRW 8,406 billion (USD 7,463 million).

## Overseas Investment Finance

Overseas Investment Finance can be divided into two categories based on the type of the borrower. Whereas Overseas Investment Credits and Overseas Project Credits are provided to Korean companies doing business abroad, Overseas Business Credits are extended directly to foreign companies, in which Korean companies have equity shares.

The amount of Overseas Investment Finance in 2012 increased by 20.8% from the previous year to KRW 8,144 billion (USD 7,227 million), mainly driven by an increase in Overseas Business Credits. By region, Asia received the largest portion with 64.4%, followed by Europe (16.6%) and North America (8.8%).

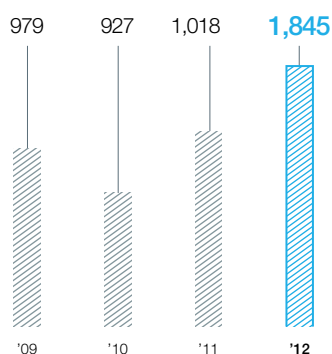
## Import Credits

Import Credits are provided to Korean importers for the purchase of essential materials, major resources, and high-tech products whose reliable and timely supply is vital for the national economy.

Total disbursements of Import Credits have reached KRW 4,911 billion (USD 4,359 million), a 15.9% increase from 2011. Mineral resources accounted for 50.2% of total disbursements with KRW 2,467 billion (USD 2,190 million), followed by high-tech products with 22.5% or KRW 1,103 billion (USD 978 million) and agricultural products with 11.7% or KRW 573 billion (USD 508 million). Regionally, imports from Asia (39.1%) received the most financing support, followed by North America (31.8%), and the Middle East (8.9%).



**Provision of Financial Guarantees**  
(KRW billion)



## Guarantees

The Bank provides foreign importers with guarantees for the performance of export contracts by Korean companies. Project-related Guarantees include bid bonds, advance payment bonds, performance bonds, maintenance bonds, etc. In 2012, the amount of commitments for Project-related Guarantees fell 16.5% to KRW 17.4 trillion (USD 15.4 billion) as a result of a slowdown in the construction sector.

In addition, the Bank provides Financial Guarantees to Korean commercial banks and foreign banks which co-finance projects with the Bank. Financial Guarantees usually serve to complement the Bank's loans in project finance or structured finance deals. Despite the fall in the number of projects due to the global economic downturn, Financial Guarantees provided in 2012 increased by 81.2% to KRW 1,845 billion (USD 1,637 million). This reflects the reduced financing capacities of commercial banks due to tightened banking regulations and the depressed world economy.

Other guarantees in 2012 including L/C Confirmations, Import L/Cs, and guarantees provided to the Bank's overseas subsidiaries remained at a similar level to the previous year, at KRW 2,594 billion (USD 2,302 million).

## Financing for Industries Facing External Shocks

In 2012, Korea's economic growth slowed considerably due to the continued European sovereign debt crisis and economic woes in the US and emerging markets. The impact of the financial shocks on the real economy was felt most acutely in the export sector, which is Korea's main driver of growth. In order to shield vulnerable sectors from such external shocks, Korea Eximbank has introduced a package of measures to provide customized financial products to troubled exporters.

The package included an increase in the volume of Trade Finance facilities such as Forfaiting and Export Factoring to assist exporters facing liquidity shortages because of their inability to convert their accounts receivable into cash. Comprehensive Export Loans, the Bank's main loan service for SMEs, were expanded with a higher loan ceiling.

The package also featured increased financing for the shipbuilding, maritime shipping and construction sectors, as they were particularly hit by contractions in new orders and financing from commercial banks. First, Korea Eximbank increased loan disbursements to shipbuilding companies to help them weather liquidity shortages during the long period of time taken for the completion of orders. Second, SMEs in

the maritime shipping industry threatened by low shipping rates have received financing in the form of loans to purchase used ships. Moreover, SMEs in the construction sector with superior technology and business potential received additional funding for their expansion overseas.

Through this financing package, the Bank successfully provided over KRW 23 trillion in Trade Finance and Comprehensive Export Loans for SMEs and around KRW 4 trillion in other forms of financing for exposed sectors. These efforts helped Korean exporters maintain their global competitiveness in a turbulent period and reaffirmed the Bank's status as a staunch partner of the Korean export industry amidst the global turmoil.

Given the negative outlook of the global economy, the package of financing for vulnerable sectors in 2012 will likely remain in force throughout 2013. Furthermore, the Bank is planning to provide an extra KRW 5 trillion of financing to various sectors including shipbuilding, maritime shipping, and construction in order to enhance the overall competitiveness of Korean exporters. Through such measures, Korea Eximbank will strive to fulfill its role as a policy arm of the Korean government, facilitating exports and thereby sustaining job creation in Korea's key industries.

## Project Finance

Disbursements of Project Finance amounted to a total of KRW 2,246 billion (USD 1,993 million) in 2012, a 72.6% increase from the previous year. The Bank's combined facilities of loans and guarantees for large-scale projects were acknowledged by the market as very effective financing tools during the financial crisis which caused liquidity and credit to dry up.

The Bank successfully mobilized the participation of commercial lenders in various landmark deals, including the Australia Ichthys LNG Project, Uzbekistan Surgil Gas Field Project, Egypt ERC Fuel Project, and Istanbul Strait Road Tunnel Crossing Project, which have respectively clinched 'Deal of the Year' titles awarded by the project finance magazine PFI (Project Finance International).

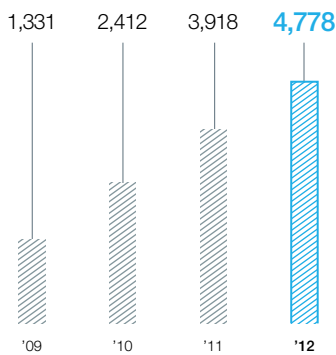
## Green Finance

Amidst growing concerns about climate change and the threatened depletion of energy resources, the Korean government introduced a framework to promote sustainable growth entitled the Framework Act on Low Carbon Green Growth. In compliance with the government's measures, the Bank's Green Finance program comprehensively integrates the Bank's financing services and extends them at preferential terms to Korean companies conducting business in green industries. Eligible projects include those certified by the Korean government under the Framework Act on Low Carbon Green Growth.

In 2012, disbursements to green industries grew by 21.9% from the year before to KRW 4,778 billion (USD 4,240 million), spurred by an increase in the amount of financing provided for renewable energy and energy-efficiency projects.

Green Finance Disbursements

(KRW billion)



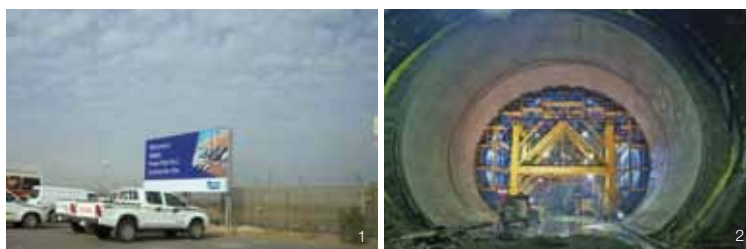
One of Parallel Petroleum LLC's Oil & Gas Fields which was Financed through the Bank's RBF Facility

## Natural Resources Finance

In order to secure a stable supply of energy resources and other strategically important resources to Korea, the Bank provides Natural Resources Finance to Korean companies or foreign companies with Korean equity shares conducting exploration, development, and production of natural resources outside Korea. In 2012, commitments and disbursements to the natural resources sector increased by 38.1% and 12.7% to KRW 3,151 billion (USD 2,796 million) and KRW 2,188 billion (USD 1,942 million), respectively.

As a part of efforts to provide Korean companies with diversified financing solutions, the Bank also approved USD 275 million in Reserve-based Financing (RBF) to finance two oil/natural gas projects in which Korean companies hold equity shares. RBF is an advanced financing technique under which a loan is made based on the expected present value of the asset being financed, applied by the Bank for the first time among Korean financial institutions.

1. Construction Site of Rabigh 6 Thermal Power Plant Project in Saudi Arabia  
2. Construction Site of the Istanbul Strait Road Tunnel Crossing Project



## Support for Large-scale Overseas Projects

In 2012, Korea Eximbank successfully provided Korean exporters with loans and guarantees, helping them win contracts for multi-billion dollar global projects. The Bank's disbursements of Project Finance and Structured Finance in 2012 amounted to USD 3,217 million. Most of that amount went to projects in the infrastructure, green technology, and natural resource sectors. Those sectors are so called 'strategic industries' because of their impact on the Korean economy and spillover effects to other industries. However, commercial banks have been reluctant to finance such projects because of the high risk entailed in terms of both the scale of funding and the length of time required for their implementation. As an export credit agency, the Bank played a conspicuous role in plugging such financing gaps, helping to sustain the vitality of the Korean economy. Here are some of the Bank's main achievements in 2012.

In July 2012, Korea Eximbank decided to provide USD 1 billion through a mixture of direct loans and guarantees to Uzbekistan's Surgil Gas Field Project, a project in which eight Korean companies including Korea Gas Corporation (KOGAS) are participating. This USD 4 billion project, which is the largest in the history of Uzbekistan and also its first to be financed on a project finance basis, is aimed at developing a gas field in Surgil near the Aral Sea which will produce natural gas and related petrochemical products. Throughout the Surgil Gas Project, the Bank has ensured smooth financing by utilizing its expertise and knowledge gained from cooperating with other ECAs and international commercial banks since

its first PF deal in the late 1990s. This project reaffirms the competitiveness and technological leadership of Korean oil and gas players and will serve as an opportunity for Korean firms to build presence in Central Asia.

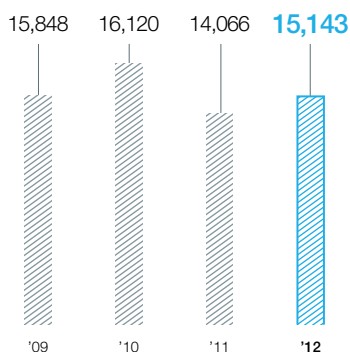
Korea Eximbank also contributed USD 280 million in financing for the Istanbul Strait Road Tunnel Crossing Project. This project, which aims to connect Europe and Asia via a tunnel beneath the Bosphorus Strait, is the largest private financing initiative in Turkey. Korean and Turkish construction companies are collaborating to oversee the project from project identification to construction and operation. Significantly, Korea Eximbank enlisted 11 financial institutions including the European Investment Bank and the European Bank for Reconstruction and Development to co-finance the project, in the middle of a global credit squeeze, by offering flexible financing conditions.

Besides these two projects, the Bank also played a crucial role in deals such as Australia's Ichthys LNG Project and Saudi Arabia's Rabigh 6 Thermal Power Plant Project.

At the end of 2012, the Bank was named the 'Global Multi-lateral of the Year' by the project finance magazine PFI (Project Finance International). It was a recognition of Korea Eximbank's role in supporting numerous deals with adequate financing despite unfavorable market conditions. It was a momentous achievement and a vindication of the Bank's Vision 2020 strategy, which articulated its vision to "advance as a key player in international project financing".

### SME Finance Disbursements

(KRW billion)



## SME Finance

In line with the Korean government's efforts to promote shared growth, the Bank continued to expand support for SMEs. The Bank's financing support for SMEs is mostly provided in the forms of Comprehensive Export Loans for SMEs and Trade Finance. Total loans to SMEs in 2012 amounted to KRW 14.8 trillion (USD 13.1 billion), accounting for 29.7% of total loans provided by the Bank. The total volume of credits, including loans and guarantees, extended to SMEs represented 21.2% of the Bank's total credits.

In addition, the Bank has introduced the Hidden Champion Initiative and the Shared Growth Program as strategic schemes to enhance the SME base of the Korean economy. Under the Hidden Champion Initiative, selected companies receive both financial and non-financial forms of assistance aimed at incubating globally competitive SMEs. The Shared Growth Program is designed to foster an economic environment where large companies and SMEs can grow together as genuine partners.





Roundtable Meeting with SME Suppliers Operating in Russia

## Shared Growth Program

“Shared Growth” refers to the collaborative efforts between large companies and small and medium enterprises (SMEs) to identify and support SMEs with high potential, with a view to preserving and improving the business ecosystem in the long run.

As part of Korea Eximbank’s Global PaSS\* Program which was launched in December 2011 to encourage large corporations to share the benefits of growth with SMEs and disadvantaged groups in society, the Shared Growth Program is focused on creating a more favorable business environment for SMEs. The program draws much of its strength from the active participation of large corporations and the utilization of the Bank’s expansive global network with foreign banks. The program comprises two sub-programs: Partnership in Overseas Business and Sustainable Growth with SMEs.

**Partnership in Overseas Business** Under the Partnership in Overseas Business program, the Bank provides direct and indirect financing for SMEs participating in overseas ventures or projects as suppliers for large companies (which may include government agencies) that have signed Shared Growth MOUs with the Bank.

**Sustainable Growth with SMEs** Under the Sustainable Growth with SMEs program, the Bank cooperates with large companies (and their local subsidiaries) which have signed Shared Growth MOUs to provide Pre-shipment Credits and Project-related Guarantees for their SME partners supplying them certain designated items for their export projects.

The Bank also provides Pre-shipment Credits and Project-related guarantees for SMEs supplying export items or materials to government agencies that have signed Shared Growth MOUs with the Bank, in collaboration with such agencies and in line with their recommendations.

### MAIN ACHIEVEMENTS IN 2012

**40 Shared Growth MOUs Signed with Leading Korean Companies** Since the establishment of the Shared Growth Support Office, which oversees the implementation of this program, the Bank has successfully enlisted the participation of major companies in the program. A total of 40 Shared Growth MOUs were signed in 2012 with large companies including Hyundai Heavy Industries Co., Ltd. and Samsung Electronics Co., Ltd. With these agreements as a stepping

stone for the Shared Growth Program, Korea Eximbank has made great strides in 2012.

**Provision of KRW 1.1 Trillion to Support SMEs** During 2012, the first year that the Shared Growth Program kicked into motion, the Bank provided a total of KRW 1.1 trillion to support SME exporters entering overseas markets in conjunction with large corporations or supplying goods and services to such companies. Specifically, KRW 947 billion and KRW 169 billion were provided under the Partnership in Overseas Business Program and the Sustainable Growth with SMEs Program, respectively.

**14 Roundtable Meetings and Briefing Sessions** In order to promote shared and inclusive growth between SMEs and large corporations, and to inform companies on the benefits of the Shared Growth Program, the Bank held a total of 14 roundtable meetings and briefing sessions in 2012.

(At home) six roundtable meetings and six briefing sessions with SME suppliers of large companies on the theme of shared growth

(Abroad) two roundtable meetings with SME suppliers operating overseas in Latin America and Russia

### PLANS FOR 2013

**Provision of KRW 1.3 Trillion Through the Shared Growth Program in 2013** To augment its support for SMEs, Korea Eximbank plans to provide a total of KRW 1.3 trillion, up 16% from 2012, in support through the Shared Growth Program, as part of a comprehensive strategy to induce shared and inclusive economic growth.

**More Shared Growth MOUs to be Signed with Tier 1 Suppliers of Large Companies to Benefit Tier 2 Suppliers** By inviting more tier 1 suppliers to participate in the program, the Bank will strive to ensure that the benefits of economic growth are shared equally throughout the supply chain, including second and third-tier suppliers.

\* Global PaSS: Partnership in Overseas Business (for SMEs entering overseas markets with large corporations), Sustainable Growth with SMEs (for SMEs that participate in export projects of large companies), Seed (seed of hope for socially disadvantaged groups)

Chairman's Visit to a  
Hidden Champion Candidate



## Hidden Champion Initiative

Korea has an unbalanced corporate ecology, with a few large enterprises at the top, a small number of medium-large companies in the middle, and the vast majority of small and medium enterprises (SMEs) at the bottom. Although SMEs accounted for 99.9% of the total number of enterprises and 86.8% of total employment in Korea in 2010, they only accounted for 21.1% of exports. In order to facilitate the sustainable and balanced growth of the national economy, it was clear that the growth of SMEs had to be encouraged.

Against this background, Korea Eximbank commenced the Korean Hidden Champion Initiative in November 2009. The Initiative is a program to select SMEs with advanced technologies and high growth potential as Hidden Champion candidates and help them become Korean Hidden Champions by providing customized financial and non-financial services. Candidates can be certified as Korean Hidden Champions if their annual exports exceed USD 300 million and their products rank within the top five in terms of global market share, or if their annual sales exceed KRW 1 trillion and their exports account for more than 50% of their sales.

In 2012, the Bank selected 70 SMEs as Hidden Champion candidates (out of a cumulative total of 251 candidates as of the end of 2012) and provided KRW 5.1 trillion in financing, almost twice the amount provided in 2011. For 2013, the Bank plans to provide KRW 5.8 trillion in financing for Hidden Champion candidates.

In addition to financial support, Hidden Champion candidates received 952 non-financial services such as F/X risk management consulting and overseas market research in 2012. To ensure the provision of comprehensive and effective non-financial services, the Bank has signed 14 cooperation agreements with such organizations as Korea Trade-Investment Promotion Agency and Korea International Trade Association since 2010.

For 2013, the Bank plans to further improve the quality of non-financial services by surveying and analyzing the needs of Hidden Champion candidates.

As a result of continuous support from the Bank, the first seven Korean Hidden Champions were born in 2012. They maintain sustainable market dominance in their respective sectors and also boast superior technology and outstanding financial performances (average number of patents: 42 / average sales: KRW 553 billion / average annual exports: KRW 434 billion). The Bank expects more candidates to join the ranks of Korean Hidden Champions in 2013.

Through the Korean Hidden Champion Initiative, Korea Eximbank hopes to empower SMEs to play a more prominent role in Korea's corporate ecology, ultimately to achieve the sustainable and balanced growth of Korea's economy.

Korean Hidden Champions	Main Products	Exports (2011)	Market Rank
MK Electron Co., Ltd.	Gold Bonding Wire	USD 681 million	3
Simone Ltd.	Women's Handbags	USD 373 million	1
Hwaseung R&A Co., Ltd.	Automotive Hoses	USD 415 million	5
Kukdo Chemical Co., Ltd.	Epoxy Resin	USD 407 million	3
Dongyang Mechatronics Corporation	Hydraulic Machinery	USD 337 million	2
Moneual Inc.	Home Theater PCs	USD 381 million	4
E-Litecom Co., Ltd.	LCD BLU	USD 439 million	3

## Financial Advisory & Structuring Services

In response to the rapidly changing business environment, where the scale of individual projects has grown significantly, Korea Eximbank launched the Investment Banking Office (IBO) in July 2011 with the aim of strengthening its advisory role and better supporting Korean companies conducting business overseas.

Despite the continuing global financial crisis in 2012, the Bank took the bold initiative of expanding the range of services offered by the IBO and renaming it the “Financial Advisory & Structuring Department (FA&S)” so that Korean companies can benefit from more systematic support from the initial stage of a project and enhance their competitiveness in an increasingly diversified and complicated global market.

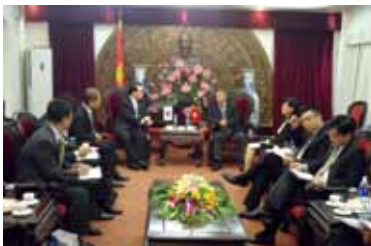
The Bank’s FA&S provides a wide range of financial services including financial advisory services, financial structuring and equity participation in transactions or projects involving Korean companies as exporters, overseas investors, natural resource developers or M&A players.

In 2012, the Bank became a prominent player in the global financial advisory sector by leading a total of 15 PF/SF deals, serving as FA (financial advisor) in four deals and as MLA (mandated lead arranger) in 11 deals – up from the five deals of the previous year. These projects covered a wide range of both traditional and newly emerging industries. In its role as FA, the Bank has successfully accumulated a track record by participating in a thermal power plant deal in Vietnam and a petrochemical plant deal in Kazakhstan.

In its role as MLA, the Bank was appointed to lead a highly innovative project in Colombia, which involved the development of intelligent public transportation systems. As a result of this project, the Bank became the first Korean MLA to finance an IT system development project on a project finance basis and to attract domestic commercial banks into a PF deal by taking on their refinancing risk. The Bank also supported projects in shipbuilding, thermal power plant, solar power and other sectors.

The Bank has carried out extensive marketing in order to expand its global network and build stronger relationships with clients as well as with international financial institutions.

As part of its proactive marketing plan, the Bank coordinated team visits to Latin America and South-East Asia in March and September 2012. A Korea Eximbank delegation consisting of three departments – the Plant, Ship and Green Finance Departments – visited six countries: Mexico, Colombia, Brazil, Vietnam, Indonesia and Singapore. During those visits, the delegation held meetings with 14 major sponsors, nine financial institutions and four government ministries to explore co-financing opportunities and to promote the awarding of contracts to Korean companies.



Meeting with Vietnam Electricity During the September Visit

## Sources of Funds

Korea Eximbank raised a total of KRW 53.3 trillion in 2012, a 17.4% increase compared with the previous year's total of KRW 45.4 trillion. KRW 19.6 trillion of the funds raised over the year 2012 was in the form of borrowings and bond issuances, while a significant portion of the remainder was self-generated from repayment of the Bank's outstanding loans.

In 2012, the Bank raised a total of KRW 11.7 trillion (USD 11 billion) in overseas capital markets. As a frequent issuer in the international bond market, the Bank successfully





1. Non-deal Roadshow for the Issuance of KRW Bonds  
2. Signing Ceremony for USD 100 Million Loan Facility Agreement

issued USD 2.25 billion of global bonds (the largest amount for a Korean issuer) in January 2012, when the nation's geopolitical risk increased due to the death of the former North Korean leader Kim Jong-il. In November, the Bank issued a 3-year global bond at the lowest yield spread recorded by a Korean issuer since the 2008 global financial crisis. Through such issuance activities, the Bank achieved favorable pricing and reaffirmed its position as the benchmark Korean issuer in the global capital market.

During 2012, the Bank has diversified its funding sources by using inter-bank loans as well as tapping into non-dollar niche markets. Specifically, the Bank successfully issued a AUD 500 million Kangaroo Bond, the largest AUD-denominated issuance by an Asian institution, and a CNY 1.75 billion Dimsum Bond, the largest by a Korean institution. In addition, the Bank successfully raised JPY 100 billion through a Samurai Bond issuance, which also represented the largest ever by a Korean issuer. The Bank secured a USD 100 million term loan facility from the National Bank of Abu Dhabi, continuing to broaden its presence in the Middle Eastern financial market since its first issuance of Saudi Riyal-denominated bonds in 2011.

In the domestic bond market, Korea Eximbank also boosted its profile as a major issuer by raising a total of KRW 7,850 billion including KRW 5,880 billion of straight bonds, KRW 1,870 billion of FRN bonds, and KRW 100 billion of structured callable bonds in 2012. The Bank also sold 40 million of its shares in Korea Exchange Bank by exercising its tag-along rights in relation to a divestiture by LSF-KEB Holdings SCA, securing an additional KRW 480 billion in local currency.

The Korean government also injected a total of KRW 879 billion in in-kind contributions, to help the Bank accumulate KRW 7,138 billion in paid-in capital. The active support of the government in the form of capital injections demonstrated the importance of the Bank as a policy arm of the government and as a safety net for financial markets.

## Financial Status 2012

### Assets and Liabilities

At the end of 2012, the Bank's total assets reached KRW 54.6 trillion, a 1.0% decrease from the previous year's total of KRW 55.1 trillion. This decrease was mostly due to the impact of the appreciation of the Korean won on foreign currency translation.

Total liabilities amounted to KRW 46.0 trillion, down 3.4% from the previous year's total of KRW 47.6 trillion, due to the strengthening won.

Korea Eximbank's stockholder equity rose 14.1% from the previous year's total of KRW 7,509 billion to stand at KRW 8,566 billion. There was an increase of KRW 879 billion in the capital stock through capital injection from the government, a rise of KRW 149 billion in net income, and a KRW 62 billion increase in other comprehensive income including unrealized gains on available-for-sale securities.

### Revenues and Expenses

The Bank's operating income for 2012 stood at KRW 180 billion, up 23.2% from the previous year's total of KRW 146 billion. It was mainly due to the increase in net interest income and commission revenue, which increased by 3.8% and 26.4% to KRW 342 billion and KRW 86 billion, respectively. Also, income tax increased by KRW 38 billion. As a result, the Bank's net income totaled KRW 149 billion, up KRW 2 billion from the previous year's total of KRW 147 billion.



## Government Account Activities – EDCF

Through our administration of the Economic Development Cooperation Fund on behalf of the Korean Government, we have provided vital funding and assistance to developing countries to ensure a brighter future for all nations.

The Government of Korea established the Economic Development Cooperation Fund (EDCF) on June 1, 1987 with the purpose of promoting economic cooperation between Korea and developing countries. Drawing on Korea's own development experience over the years, EDCF assists developing countries by providing funding for their economic development efforts.

The financial resources of EDCF consist of contributions and borrowings from the government as well as its own operational profits. As of December 31, 2012, EDCF raised a total of KRW 3,129 billion and disbursed a total of KRW 3,822 billion, reaching a cumulative loan commitment volume of KRW 9,060 billion.

The Fund Management Council is the highest policy-making authority of the EDCF. The direction of EDCF operations and the assumption of principal policy-making responsibilities rest with the Ministry of Strategy and Finance (MOSF).

Entrusted by the MOSF, Korea Eximbank is responsible for all EDCF operations such as project appraisals, loan agreement executions, loan disbursements, and project evaluations.





## Policies and Directions

### International Trends in Development Assistance

In pursuit of the Millennium Development Goals (MDGs), the international community has expanded ODA volumes and enhanced the effectiveness of aid through commitments made under international agreements such as the Monterrey Consensus (2002), Paris Declaration (2005), and Accra Agenda for Action (2008). However, the traditional regime of aid has recently come under some criticism on the grounds that the huge amount of aid gone to Africa for the past 60 years has only had modest success in reducing poverty.

Against this background, the aid paradigm is moving beyond aid effectiveness toward development effectiveness, an approach that can substantially contribute to poverty reduction and economic growth of developing countries. This paradigm shift was evidenced by several international forums such as the G20 and the 4th High Level Forum (HLF-4), and reflected in the Post MDGs agenda – a sign that the international community is realizing the limitations of traditional aid which tended to overemphasize social development at the expense of economic growth.

Even though the amount of financing needed by developing countries for their infrastructure development is projected to grow to over USD 900 billion a year, the financial resources of DAC donors are shrinking due to the recent global financial crisis. Consequently, securing adequate resources to meet the needs of developing countries has become a key challenge. A greater emphasis has been placed in this context to ODA loans – considered to be an effective tool for supporting large-scale development projects – and to public-private partnerships (PPP) as a means of overcoming the shortage of ODA resources.

International Forums	Key Message
G20 Seoul Development Consensus for Shared Growth (December 2010)	Focus on economic growth
The 4th High Level Forum (November 2011)	Aid effectiveness → Development effectiveness
Post-2015 UN Development Agenda (June 2012)	Inclusive economic development



## EDCF Policies and Directions

Although many donors are reducing their ODA commitments due to the global economic crisis, EDCF has increased its ODA volume and made qualitative improvements to its aid system. Moreover, EDCF laid the foundations for a move toward a development finance regime that enhances the self-reliance of partner countries, by diversifying the financing tools at its disposal and thereby increasing the development resources available to partner countries.

EDCF defines its vision as promoting the “self-reliance of partner countries” and “mutual economic cooperation with partner countries” by helping developing countries overcome the obstacles to development and achieve sustainable growth. In accordance with this vision, EDCF plans to pursue three broad policy objectives: increasing the volume of ODA, improving its aid system, and actively participating in international discussions such as the Global Partnership for Effective Development Cooperation and in the Post MDGs agenda to help shape the evolving aid paradigm.

## Main Achievements of EDCF in 2012

In line with the Korean government's Strategic Plan for International Development Cooperation and its Mid-term ODA Policy for 2011-2015, EDCF has faithfully supported the building of socio-economic infrastructure in developing countries, made improvements to its aid system, and strengthened global partnerships.

### Increased Support for Strategic Projects



1. National Program for Sustainable Electrification and Renewable Energy in Republic of Nicaragua  
2. Lo Te-Rach Soi Highway Construction Project in the Socialist Republic of Vietnam

**ODA Volume Growth & Strategic Allocation of Resources** In 2012, EDCF contributed to the achievement of the government's enlarged ODA target by approving new projects totaling KRW 1,204 billion and disbursing KRW 578 billion in loans, a 13.4% increase compared to the previous year. To allocate resources strategically, EDCF finalized its Country Partnership Strategy for 11 priority partner countries and strengthened cooperation with partner countries by holding frequent policy dialogues.

**Implementation of Large-Scale Infrastructure Projects and Public-Private Partnership (PPP) Projects** In line with its growing support volumes, EDCF increased its support for large-scale projects. In 2012, EDCF made loan commitments for two large projects worth more than USD 200 million each: the Lo Te-Rach Soi Highway Construction Project in Vietnam and the Jalaur River Multipurpose Project Stage II in the Philippines. Moreover, as part of its effort to facilitate private sector investment in the development of partner countries, EDCF finished appraisal on its first PPP project, the Sepian-Senamnoy Hydroelectric Power Generation Project in Lao People's Democratic Republic. By supporting PPP projects, EDCF aims to play the role of a catalyst in attracting private investments to large infrastructure projects.

**Increased Support for the Green Growth Sector** EDCF increased the proportion of aid going to green growth projects from 33.3% to 43.7%. EDCF identified and supported projects in the sectors of photovoltaic power generation, renewable energy, and water resource management to promote sustainable economic growth in developing countries. In the meantime, EDCF contributed USD 5 million to the ADB Future Carbon Fund in 2012 as a part of its USD 20 million commitment made for 2010-2013, supporting Asian initiatives to address climate change.

## Strengthened Global Collaboration

**OECD DAC Peer Review** After joining the OECD Development Assistance Committee (DAC) in 2010, Korea received the first OECD DAC Peer Review on its ODA policy and system in 2012. The peer reviewers acknowledged the effectiveness of EDCF loans as an instrument for promoting the development of partner countries. Also, the necessity of ODA loans, especially to enable the self-sustaining growth of developing countries, was echoed by several DAC members in the final Peer Review Meeting held in December 2012. EDCF will continue to refine its policy and system based on the recommendations of the DAC Peer Review.

**Establishment of Partnerships with Other ODA Institutions** EDCF co-hosted the 3<sup>rd</sup> Asian Development Forum (ADF) with JICA of Japan and NEDA of Thailand, helping to bring in Asian perspectives, based on the development experience of Asian donor countries, to international debates on development cooperation. Furthermore, EDCF led activities of the Building Block on Climate Change Finance along with other organizations such as the UNDP, OECD, and Better Aid by holding a side event at the 18th UNFCCC Conference of the Parties (COP 18). EDCF also established regular consultation channels with ODA agencies of major donor countries including Japan (JICA), France (AFD), and Germany (KfW), further enhancing its global network.



1. 1st OECD DAC Peer Review on ODA Policy of Korea and Its System in 2012  
2. EDCF Safeguard International Seminar

## Improvement of the EDCF Support System

### Laying the Foundations for a Move Toward a Development Finance Regime

In order to effectively support infrastructure projects in developing countries, EDCF reviewed plans and laid the foundations to move beyond the current regime of aid centered on ODA loans to one that embraces development finance, which mobilizes a variety of financing tools. As a preliminary step, in 2012 EDCF introduced political risk guarantees which facilitate private investment by mitigating the risk of investing in politically unstable developing countries, and plans to develop other solutions such as less concessional loans and equity investments.

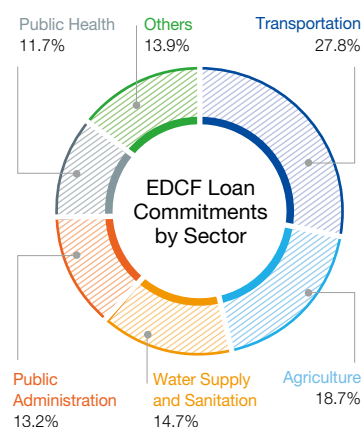
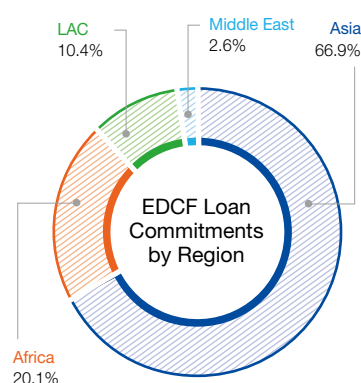
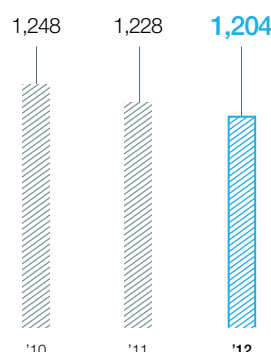
**EDCF's First Program Loan Commitment** EDCF made its first commitment to a program loan, the Support Program to Respond to Climate Change (SP-RCC) in Vietnam. Program loans, a type of structurally adjusted loan to help finance a government's budget, encourage project ownership and capacity building on the part of partner countries. By applying a Program-Based Approach (PBA), EDCF executed USD 30 million in concessional loans for the SP-RCC with a particular focus on three specific sectors: water resources, renewable energy and waste management. EDCF is planning to continue to support the SP-RCC until 2015.



Consultation Workshop for Formulation of SP-RCC Policy Matrix 2013-2015

## EDCF Loan Commitments

(KRW billion)



**Facilitating Public-Private Partnerships (PPP)** To actively meet the needs of infrastructure development in developing countries and facilitate private investor participation, EDCF improved its PPP support system by establishing a plan to promote PPPs, which includes setting up a new team specialized in PPPs and reducing interest rates for PPP projects. To strengthen cooperation on PPP project development and implementation by utilizing various financing tools such as ODA loans, export credits and guarantees, EDCF and Korea Eximbank formed joint consultative groups with two partner countries, Vietnam and the Philippines. Also, the 1st Global Infrastructure Development Forum was held in October 2012 in Seoul to share information and build networks with PPP experts from Korea and abroad.

**Strengthened Social and Environmental Safeguard Policy** EDCF finalized its Safeguard Policy update in 2012 to enhance the social and environmental sustainability of EDCF programs and projects. The policy update is anticipated to place EDCF in a more advantageous position to finance complex and large-scale infrastructure projects requiring careful attention to their social and environmental impacts.

## Commitments & Disbursements by EDCF in 2012

EDCF took further steps to more effectively promote development cooperation with partner countries and eradicate poverty in developing countries. EDCF loan commitments for the year reached KRW 1,204 billion including loan commitments for two large-scale infrastructure projects worth more than USD 200 million. EDCF loan disbursements for 2012 increased 13.4% year-on-year to KRW 578 billion. In accordance with the Korean government's ODA expansion plan, this increasing trend is expected to continue into the future.

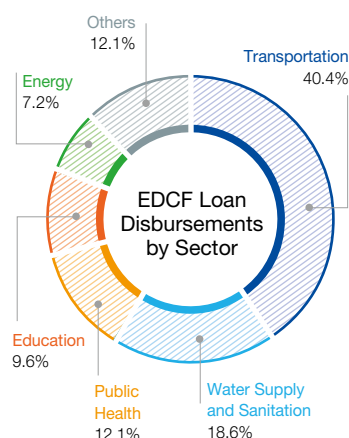
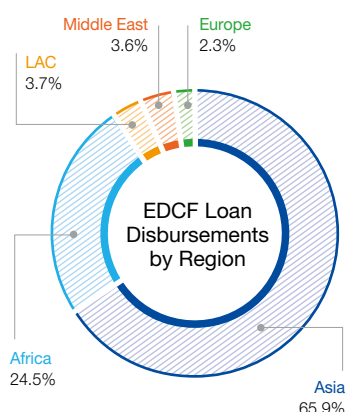
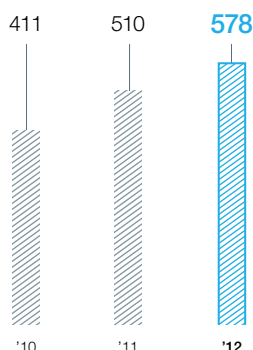
## Loan Commitments

EDCF committed KRW 1,204 billion in new loans to 18 projects in 13 countries during 2012. As of the end of 2012, cumulative EDCF commitments reached KRW 9,060 billion for 294 projects in 51 countries.

**Commitments by Region and Country** The largest portion of new commitments in 2012 was extended to Asia, reflecting Korea's close economic and diplomatic ties with many Asian countries. Loan commitments to Asian countries accounted for 66.9% of new loans for the year, with Asian countries occupying the positions of the top three recipients of EDCF loans. By country, Vietnam remained the largest recipient for six consecutive years with a total commitment of KRW 275 billion. The Philippines ranked second, with KRW 259 billion, and Bangladesh third, with KRW 124 billion. By region, Africa took second place with 20.1% of new commitments in 2012 going to the continent, reflecting EDCF's efforts to expand into Africa. Meanwhile, 10.4% and 2.6% of the year's commitments went respectively to Latin America and the Middle East.



**EDCF Loan Disbursements**  
(KRW billion)



**Commitments by Sector** EDCF's emphasis on economic infrastructure sectors continued in 2012, as a large portion of its total commitments was allocated to the transportation (27.8%), communication (6.9%), and energy (6.9%) sectors. At the same time, in line with international efforts to meet the Millennium Development Goals, new commitments were also made to social infrastructure projects aimed at improving public services such as water supply and sanitation (14.7%) and public health (11.7%). Additionally, EDCF allocated a substantial portion of financial resources to sectors related to the environment (2.8%) and agriculture (18.7%) in response to the increased demand of partner countries for action to address climate change and environmental degradation.

## Loan Disbursements

Loan disbursements in 2012 totaled KRW 578 billion for 88 projects in 25 countries, representing a 13.4% increase from the previous year. This growth rate is expected to continue to increase in the future as a result of the recent expansion in the volume of ODA and the increased number of large-scale projects. Cumulative EDCF loan disbursements totaled KRW 3,822 billion, or 42.2% of total commitments. Of the 294 projects committed so far, 237 received disbursements. As of the end of 2012, the outstanding balance on EDCF loans totaled KRW 3,293 billion, approximately 18.6% more than the KRW 2,777 billion recorded at the end of 2011.

**Loan Disbursements by Region and Country** By region, Asia (65.9%) was the largest borrower of the year, followed by Africa (24.5%) and the Latin America (3.7%). By country, Vietnam was the largest borrower with KRW 197 billion, followed by Sri Lanka, Bangladesh and Cambodia.

**Loan Disbursements by Sector** Of the total loan disbursements made in 2012, the transportation sector accounted for 40.4%, followed by water supply & sanitation (18.6%), public health (12.1%) and education (9.6%). These loan disbursements provided support for economic development and helped to improve the quality of life in partner countries.

## EDCF Funding Resources

EDCF finances projects using public resources, i.e. contributions from the general budget account of the Korean government, borrowings from the Public Capital Management Fund of the government, and profits from EDCF operations. The share of government contributions has steadily increased while the borrowings decreased in terms of volume and share.

In 2012, KRW 299 billion was newly allocated from the general budget account of the government to meet a surge in demand for loan disbursements. As of 2012, accumulated EDCF resources totaled KRW 3,129 billion, an 11.7% increase year-on-year. Of this amount, 69.6% was obtained through transfers from the general budget account of the government, 24.6% through EDCF's operational profit and reserves, and the remaining 5.8% through borrowings from the Public Capital Management Fund.

Between 1989 and 2012, EDCF borrowed KRW 455 billion from the Public Capital Management Fund. Thus far, KRW 275 billion has been repaid, leaving an outstanding balance of KRW 180 billion.

The net profit of EDCF in 2012 totaled KRW Δ114.7 billion. However, the negative figure is not indicative of the actual operational performance of EDCF. In accordance with the Accounting Standards for Subsidized Loans announced by the Minister of Finance and Strategy, the difference between the loan principals and the present value of estimated receivable amounts is recognized as cost of subsidized loans and accumulated as provisions for subsidized loans. The recognition of cost and accumulation of provisions for subsidized loans are solely a matter of accounting methodology and does not reflect the actual operational performance of EDCF.

#### Sources of Fund\*

(KRW million)

	2010	2011	2012
Contributions from Government	1,529,870	1,879,870	2,178,845
Borrowings from Government	78,328	37,331	180,332
Operational Profit and Reserves	1,035,260	883,988	769,299
<b>Total</b>	<b>2,643,457</b>	<b>2,801,189</b>	<b>3,128,476</b>

\* Accumulated total at the end of each year

(%)

	2010	2011	2012
Contributions from Government	57.9	67.1	69.6
Borrowings from Government	3.0	1.3	5.8
Operational Profit and Reserves	39.2	31.6	24.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>





## Government Account Activities – IKCF



Through the management of the Inter-Korean Cooperation Fund, we are actively working to develop and enhance cooperation between the North and South, bringing the two Koreas closer together.

The Inter-Korean Cooperation Fund (IKCF) was established in 1990 under the Inter-Korean Cooperation Fund Act to promote mutual understanding and socio-economic interactions between South and North Korea.

Entrusted by the Korean government, Korea Eximbank assumed responsibility for the operation of IKCF in January 1991 and has since striven to facilitate inter-Korean relations by pursuing projects of economic, social, and humanitarian concern under the initiative and policy coordination of the Korean government.

The Bank conducts various IKCF operations including aid, loan provisions, and insurance coverage for trade-related transactions. In 2012, the Bank also organized meaningful events under the theme of inter-Korean cooperation, such as a short IKCF Camp for undergraduate and graduate students and mentoring activities for resettled North Koreans to help them start a new life in South Korea.



## Inter-Korean Relations in 2012

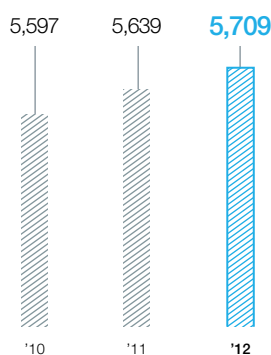
The year 2012 marked the beginning of Kim Jong-un's era in North Korea. Since the death of the former North Korean leader Kim Jong-il at the end of 2011, the younger Kim appears to have swiftly consolidated his grip on power both politically and militarily. Soon after his father's funeral, Kim was declared the "Supreme Leader" of the socialist state and "Supreme Commander" of its 1.1 million-strong military force.

In early 2012, the South Korean government attempted to restore friendly relations by resuming dialogue with North Korea. This effort was thwarted by North Korea's failed launch of its rocket in April, which was condemned by the international community. On April 16, the United Nations Security Council unanimously adopted a statement "strongly condemning" North Korea for its rocket launch. In a presidential statement, the 15-member council made it clear that the launch was a "serious violation" of resolutions 1718 and 1874, which ban Pyongyang from any launch using ballistic missile technology. These developments made it seem unlikely that inter-Korean relations would improve any time soon.

The second half of the year saw no improvement in inter-Korean relations. Tensions escalated on December 12, when North Korea again disregarded repeated international warnings and carried out its launch of a rocket into space. South Korea, the US and Japan condemned the launch as a banned test of long-range missile technology. The Foreign Minister of Korea said the government strongly condemned the launch of the long-range rocket, while the US called the launch another "example of North Korea's pattern of irresponsible behavior."

In sum, South and North Korea failed to mend their strained relations in 2012. Nevertheless, a rapprochement may still be on the horizon as the newly elected President Park Geun-hye takes office. President Park promises to start a dialogue with Pyongyang built on mutual trust. North Korea, too, is showing signs of toning down its criticism against the new president, indicating a willingness on its part to mitigate inter-Korean tensions in its New Year Address. Although additional nuclear tests by Pyongyang could yet derail any further attempt at reconciliation, 2013 still offers a measure of hope that progress can be made in the long journey toward unification.

Cumulative IKCF Disbursements  
(KRW billion)



## Assistance Activities

In 2012, IKCF provided financial support totaling KRW 69.4 billion to 123 projects. The cumulative disbursement of IKCF aid since its establishment stood at KRW 5,709 billion as of the end of 2012, up 1.2% from the previous year's cumulative total of KRW 5,639 billion.

A large part of IKCF aid (65.8%, KRW 45.7 billion) in 2012 went to projects facilitating economic cooperation between the two Koreas. Of this amount, KRW 18.3 billion in loans was extended to South Korean companies involved in bilateral trade and cooperative economic projects.



1. Groundbreaking Ceremony of the South-North Youth Exchange Center  
 2. Shuttle Bus Provided for North Korean Workers in Gaesong Industrial Complex  
 3. IKCF Camp for Undergraduate and Graduate Students

IKCF also used 26.7% (KRW 18.5 billion) of its aid to support the Gaesong Industrial Complex. Of this amount, KRW 8.8 billion was disbursed for the support of the Gaesong Industrial District Management Committee.

Another 7.5% (KRW 5.2 billion) went to humanitarian aid and cultural programs. IKCF extended KRW 2.8 billion to essential humanitarian assistance projects, of which KRW 2.3 billion was spent on medical assistance projects in North Korea. In particular, assistance for infants and young children is a fundamental feature of humanitarian assistance to North Korea, offering comprehensive assistance such as vaccinations for young children. IKCF also provided a total of KRW 0.5 billion to finance natural disaster relief in North Korea and KRW 2.4 billion for projects promoting social and cultural exchange.

Also, despite the heightened political tension between the two Koreas, IKCF actively provided insurance coverage to South Korean companies to boost investments in North Korea.

The insurance program is designed to support companies investing in and trading with the North by partially compensating for losses caused by unforeseen events such as political conflicts. IKCF has improved the terms and conditions of the insurance program by increasing the coverage amount for each company and shortening the waiting time until payment. In 2012, the number of contracts under the Insurance Program for Trade and Economic Cooperation decreased. Contracts under the program amounted to KRW 509 billion as of the end of 2012, a 1.4% decrease from the previous year's total of KRW 516 billion. The decrease was due to the overall exacerbation in South-North tensions in 2012.

## Funding Activities

Major funding sources for IKCF include contributions from the Korean government, loans from the Public Capital Management Fund, and reserves and financial returns on IKCF's investment portfolio.

Cumulative funding for IKCF since its establishment stood at KRW 11.3 trillion as of the end of 2012, of which KRW 582 billion was raised in 2012. Of the accrued amount, 39.7% (KRW 4,509 billion) came from government contributions, 52.4% (KRW 5,945 billion) from the Public Capital Management Fund, and 7.9% (KRW 893 billion) from financial and other returns.

Of the total amount funded so far, KRW 5,709 billion was disbursed as grants (KRW 2,824 billion) and loans (KRW 2,884 billion). KRW 4,678 billion was used for repayment to the Public Capital Management Fund (KRW 3,583 billion in principal and KRW 1,096 billion in interest). As of the end of 2012, IKCF cash reserves, including short and long-term financial investments, recorded KRW 935 billion.

## Supporting Activities

Korea Eximbank continues to expand its global networks through a variety of programs and partnerships with global industry leaders, Knowledge Sharing Programs with developing nations, and the hosting of conferences and seminars.

### Enhancing Partnerships

In 2012, Korea Eximbank continued its efforts to expand its global network by concluding a total of 20 agreements with multilateral development banks (MDBs), export credit agencies (ECAs), government organizations, and major international financial institutions and corporations. Concluded agreements include:

- ▶ Cooperation Agreement entered with the Corporación Andina de Fomento (CAF) to explore co-financing opportunities and Knowledge-Sharing projects, exchange personnel, and share information on potential joint projects.
- ▶ Reciprocal Risk Participation Agreement concluded with the Export Finance Insurance Corporation (EFIC) of Australia to provide joint support in the form of loans and guarantees for joint export and overseas investment transactions.
- ▶ Memorandum of Understanding (MOU) signed with the DBS Bank Limited of Singapore, under which the banks will exchange information on projects and enhance their co-financing efforts and joint financial advisory services.
- ▶ MOU signed among the Greater Tumen Initiative (GTI) member countries' Exim Banks/Development Bank, under which the banks established the Northeast Asia Exim Banks Association as a mechanism for financial and economic cooperation to guide available funding in the development of the projects in the region.







The Bank continued to build business ties with commercial banks in the Middle East, where Korean companies are actively exploring business opportunities. Agreements with the Burgan Bank S.A.K. (Kuwait), Samba Financial Group (Saudi Arabia), and Doha Bank (Qatar) were concluded in order to exchange information and increase co-financing in overseas projects. The Bank will utilize such MOUs to increase cooperation in future projects with relevant institutions through regular working-level meetings and open communication channels.

In order to further strengthen cooperative partnerships with financial institutions in the booming Chinese market, the Bank concluded agreements with the China Construction Bank Corporation, Bank of Communications, and the Agricultural Bank of China to exchange information on projects and increase co-financing.

In addition, Korea Eximbank formed a regular consultative group with five top-tier Chinese banks and three Japanese banks to strengthen mutual cooperation over the course of a project, from project identification to financial underwriting. In 2012, regular consultative group meetings were held each quarter, at which participants discussed the possibility of joint participation by Chinese and Japanese banks in large projects supported by the Bank in sectors such as shipbuilding, plant construction, and M&As.

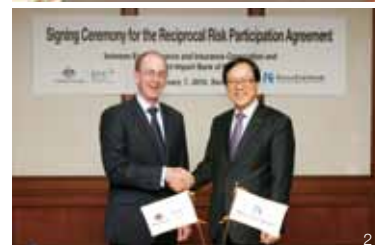
## Knowledge Sharing Activities

Korea has transformed itself from a recipient to a donor of aid by achieving unprecedented economic growth within the past half century. Developing countries that have witnessed this successful transition are showing great interest in Korea's economic growth model. Korea Eximbank has actively contributed to the efforts of the Korean government to share Korea's development experience with developing countries across the globe. Knowing the importance of an ECA in promoting exports, Korea Eximbank shared its own experience of establishing an ECA and providing export credit.

### ▶ Asian Exim Banks Forum

As a member of Asian EXIM Banks Forum (AEBF), Korea Eximbank dispatched experts to AEBF Training Committee Workshops to introduce the Bank's services such as Overseas Investment Finance, Ship Finance, and SME Finance, including the Shared Growth Program. The Bank's experts also shared insights on the recent trends of project finance with a focus on natural resources and infrastructure projects.

The Bank also participated in the 18th AEBF Annual Meeting in November under the theme of "Financing Eco-Friendly and Energy-Efficient Projects". During the Annual Meeting, the Bank emphasized the role of Asian Exim Banks in securing Asia's leadership in the green growth market, offering as an example Korea's hosting of the Green Climate Fund (GCF).



1. MOU Signing Ceremony with CAF  
2. RPPA Signing Ceremony with EFIC  
3. Regular Consultative Group Meeting with Japanese Banks



18th AEBF Annual Meeting in Cebu, Philippines





KSP Joint Consultation Program in Jamaica

### ➤ Knowledge Sharing Program (KSP)

In 2004, the Korean government launched the Knowledge Sharing Program, also known as KSP, a demand-driven bilateral policy consultation program, specifically designed to share Korea's development experience with its development partner countries. Furthermore, in an effort to improve the quality of its knowledge sharing activities, the government launched a new program in 2011 – the Joint Consultation Program with multilateral development banks (MDBs).

In 2012, Korea Eximbank continued supporting KSPs for Vietnam and the Dominican Republic, initiated in 2005 and 2008, respectively. As an extension of past programs, the Bank provided workshops on the Bank's export credit program to the officials of Vietnam Development Bank (VDB) and the Ministry of Finance of Vietnam. As for the Dominican Republic, the Bank followed up its program on establishing an ECA in the Dominican Republic with a program on building export credit-handling capacities, training competent staff, and promoting the export industry in order to enhance the capabilities of the ECA to be established.

Through the framework of the Joint Consultation Program, the Bank successfully supported five projects with ADB, four projects with IDB, three projects with the World Bank, and one project with AfDB (totaling USD 2.8 million) in 2012.

## Conferences and Seminars

Korea Eximbank hosted and organized a number of meaningful events and conferences in 2012. In April, the Bank hosted the Korea Eximbank Middle East and North Africa (MENA) Conference 2012 for major project sponsors and financial institutions. Themed "Shaping the Relationship between the MENA and Korea in a New Global Context," the conference was the first large-scale conference attended by top executives of leading companies, financial institutions, and government officials of Korea and the MENA. The conference was focused on recent project trends in the MENA region and alternative sources of financing ranging from export credit agencies, local financiers, and project bonds amidst decreased funding from European financial institutions. In addition, one-on-one meetings were arranged between MENA sponsors and Korean firms to better assist Korean firms competing for contracts in the region.

In September, the Bank co-hosted the Latin America-Korea Investors Forum (LA-KIF) with the Latin Finance Magazine. Attended by over 200 representatives from MDBs, international commercial banks, and major companies in Korea and Latin America, the Forum featured panel discussions on trade and investment between the two regions and on the business environment affecting such bilateral exchanges. The Forum also provided one-on-one business meeting sessions between entrepreneurs of Korea and Latin America to strengthen networks and create real business opportunities.

October was a month full of events. Under the theme of "Sharing Today, Shining Tomorrow," the Korea-Africa Economic Cooperation (KOAPEC) Ministerial Conference brought together over 35 ministerial-level officials from 34 African countries and African representatives of various fields including business, energy, construction, IT, agriculture, and education. During this biggest Africa-related event ever held in Korea, the Bank concluded loan agreements to fund an irrigation system project in Zanzibar, Tanzania, and a vocational training program in Uganda, providing USD 50 million



1. One-on-one Meeting During the MENA Conference 2012  
2. 2012 KOAPEC Conference



1. Conference on the Provision of Finance for the Export of Korean Wave Contents  
2. Green Climate Fund Forum

and USD 26.8 million, respectively. The Bank also arranged one-on-one business meetings between Korean enterprises and African representatives to facilitate the identification of business opportunities.

Also in October, the Bank held the Conference on the Provision of Finance for the Export of Korean Wave Contents, co-hosted by the Korea Creative Content Agency (KOCCA) and sponsored by the Ministry of Culture, Sports and Tourism. The Conference, attended by over 200 people involved in the planning, production, and distribution of Korean Wave contents such as movies, dramas, animated films and games, was an occasion to appraise the global reach of the ever-expanding Korean Wave, to estimate the extent of its contribution to the national economy, and explore avenues to finance its further expansion abroad.

In addition, the Bank co-hosted the Green Climate Fund (GCF) Forum with KDI in October, which led to the successful hosting of the GCF headquarters in Songdo International Business District in Incheon City. The Bank will continue to play an important role in promoting green growth by supporting the expansion overseas of Korea's green industries and by unlocking new sources of sustainable growth.

The Bank also successfully hosted the Korea Eximbank Seminar for Ambassadors of Asia in March and for Ambassadors of the Middle East-Africa in September, which were respectively attended by 25 Asian ambassadors and 21 Middle Eastern and African ambassadors to Korea. The seminars introduced the Bank's programs and activities in the areas of project finance, green finance, and official development assistance as part of its effort to facilitate the entry of Korean companies into other regions by building global networks.

## Research and Information

Korea Eximbank provides in-depth research and statistical analysis of developing countries across Asia, Europe, the Middle East, Africa, and Latin America. The Bank's 2012 reports on countries such as Vietnam, Italy, Romania, Jordan, Tanzania, and Colombia provided comprehensive country-specific analyses of macro-economic conditions, industries, political situations, credit ratings, investment environments, and 2012 foreign direct investment (FDI) figures to serve as key references for financing decisions. The Bank also published strategic reports such as "Present Conditions of Three MENA Countries and Effective Ways of Entering Them" and "The Financial Services of Major ECAs and Their Operating Strategies".

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Korea Eximbank puts its  
expertise and operational  
excellence to work in  
order to create value for  
society, help communities,  
and preserve nature. We are  
fully dedicated to spreading the  
seeds of hope.



# The Bank and the Environment

Korea Eximbank is a key institutional pillar in Korea's ongoing effort to ensure that environmental preservation and sustainable development take their rightful place at the forefront of the nation's economic and social considerations.



Korea Eximbank espouses environmental preservation as the foundation for a viable and sustainable economy in the long-term. As such, environmental and social concerns are placed at the forefront of decision-making processes.

**Environmental and Social Review** Korea Eximbank extends financial support for medium to long-term projects to promote international development and improve the global competitiveness of Korean industries. While these projects bring economic benefits, they may also have negative impacts on the environment and society.

Korea Eximbank believes it is essential to make environmental and social considerations an integral part of operations. Thus, the Bank established internal policies that contribute to sustainable development in accordance with the OECD Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence. The policies stipulate the Bank's standards and procedures for reviewing the environmental and social aspects of the projects it supports.

Each project is reviewed to ensure it satisfies appropriate environmental and social considerations, taking into account project-specific characteristics and potential impacts. Korea Eximbank offers clients comprehensive guidance in assessing the environmental and social impacts of their projects and in preparing mitigation measures. The Bank refuses loans or demands additional environmental risk mitigation measures for projects found to have adverse environmental and social impacts. Furthermore, the Bank discloses environmental information pertaining to projects as part of its commitment to transparency and accountability. Sharing this information reinforces public trust in the Bank. The Bank also conducts post-implementation monitoring on projects to ensure continuous management of environmental and social risks.



1. Site Visit for Environmental Review of Ichthys LNG Project  
2. 22nd Meeting of the Environmental Practitioners of the OECD Working Party

In 2012, Korea Eximbank reviewed the environmental and social impacts of eleven high-risk projects (out of a cumulative total of 44 since 2004) in the areas of nuclear facilities, thermal power, oil and gas, refinery, aluminum smelter and submarine tunnel. Meanwhile, the Bank has revised its internal policies in response to the newly adopted OECD Recommendation on Common Approaches and a global trend emphasizing the social aspect. In addition, the Bank developed an explicit guideline for transactions involving nuclear plants. Through these activities, the Bank contributed to the prevention and mitigation of negative environmental and social impacts of projects.

**OECD Environmental Practitioner Activities** Korea Eximbank is also actively taking part in multilateral discussions and addressing environmental and social issues by sharing knowledge with other government agencies and international organizations. In 2012 the Bank attended the OECD Environmental Practitioner Meetings held in Paris and Bratislava to update the OECD Recommendation on Common Approaches and other international guidelines to ensure that they are in line with global efforts to address climate change and human rights violations.

**UNEP FI Korea Group Activities** The United Nations Environment Programme Finance Initiative (UNEP FI) is a global partnership between the UNEP and the financial sector. The UNEP FI Korea Group continued to play a key role in the dissemination and promotion of international best practices with regard to greenhouse gas reduction, climate change, etc. at the national level by publishing periodic newsletters and updates, as well as organizing regular meetings among members. Korea Eximbank has been sharing information regarding sustainable practices and business models with other financial institutions through the UNEP FI Korea Group since October 2005.



# Ethical Management

As a leader in the Korean financial market, we have a duty to adhere to strict ethical standards and principles. As a practitioner of ethical finance, we have adopted transparent, customer-oriented management practices to ensure we deserve the full trust of our clients and the public.



In accordance with government policies to foster ethical work practices among government officials, Korea Eximbank implements programs promoting sound work ethics and preventing corruption. In addition, the Bank emphasizes transparent, ethical, and customer-oriented management principles to establish itself as a model “clean bank” deserving the full trust of customers and the public.

**Code of Conduct** Since 2003, the Bank enforced a Code of Conduct for its entire staff in order to ensure that the Bank is a clean organization customers and the public can trust. The Code stipulates faithful execution of duties, customer-oriented management, and sexual harassment prevention as well as promoting anti-corruption and integrity through eradication of bribery and establishment of the clean report center. To empower each and every member of the organization to enforce ethical conduct, the Code also provides protection for whistleblowers. In short, the Code of Conduct serves as the fundamental basis for ethical management at Korea Eximbank.

**Integrity Pledge** Internal regulations require all board members to sign integrity pledges within one month of their appointment to ensure transparent and ethical management during their tenure. Beginning from 2011, all staff members are also required to submit signed integrity pledges to the Bank immediately upon joining the company to ensure transparent execution of duties and prevention of corruption.

**Ethical Management Implementation Plan** In accordance with government ethics guidelines, the Bank establishes annual ethical management implementation plans specifying concrete programs for ethical management within the Bank. Each department is required to report its ethical management plan each quarter to the department overseeing ethical management. The collected reports are then submitted to the Anti-corruption & Civil Rights Commission.



Korea Eximbank was awarded the first place among public sector financial institutions by the Anti-corruption and Civil Rights Commission at the inauguration ceremony of the Clean Champions Club

**Self-Diagnosis for Ethical Practices** The Online Self-Diagnosis for Ethical Practices Program is executed through the Bank's intranet system and with the participation of the entire staff at Korea Eximbank to enhance ethical awareness and faithful execution of duties. Introduced in 2006, the program involves asking employees a set of questions about ethical practices each quarter. Through the questionnaire, the Bank enhances understanding of ethical standards and identifies areas of weakness.

**Ethics Education** Every year, the Bank dispatches employees to integrity education seminars offered by the Anti-corruption & Civil Rights Commission. The seminars cover issues such as anti-corruption, integrity, and ethics awareness in public offices to increase ethical awareness among the staff and enhance integrity within the Bank. In addition to the seminars, the Bank implements its own quarterly education program on ethics. The Bank's program also encompasses sexual harassment prevention and provides one-on-one counseling services.

**Performance Evaluation System** The Performance Evaluation System of the Bank includes an index on ethical management designed to promote employee participation in ethical management and to enhance the awareness of individual departments about the Bank's anti-corruption & integrity policies. The index measures implementation levels of ethical management initiatives and participation in the Self-Diagnosis for Ethical Practices as well as in anti-corruption and integrity education programs.

**"Clean Card" System** The Bank implements the "Clean Card" system to promote transparency in customer-related activities. The system was adopted with the aim to promote self discipline and moral integrity in business relations. Under this system, inappropriate use of corporate credit cards is strictly prohibited.

**Compliance Team** At the end of 2012, the Bank established the Compliance Team, to take full charge of overseeing ethical management within its walls. By developing a more systematic and efficient mechanism for supervising ethical management, the Compliance Team will actively monitor and inspect the work processes of each department and ensure its full compliance with rules regarding corruption, money laundering, and protection of personal information, among others. With the help of the Compliance Team, Korea Eximbank aims to attain an international level of excellence in ethical management.

Ethical management goes beyond simple compliance with legal and economic responsibilities; it extends to meeting social expectations. Ethical management therefore seeks not only to address the short-term imperative of value creation but also to foster long-term sustainable growth. Korea Eximbank will continue to make every effort necessary to promote the sustainable growth of the Bank.



# Serving the Community

Korea Eximbank cherishes social responsibility as one of its most important values, and makes great efforts to contribute to the welfare of society through programs to assist disadvantaged groups in Korea and beyond.



**Corporate Social Responsibility** Korea Eximbank's CSR program is implemented through the Seed of Hope Program, which is part of its larger, comprehensive initiative to promote shared growth called the Global PaSS program (Partnership for Overseas Business, Sustainable Growth with SMEs, and Seed of Hope). The Bank regards its community outreach efforts through Seed of Hope as an integral part of promoting shared and inclusive growth.

**Seed of Hope: Nurturing Hope for Underprivileged Groups in Korean Society** In 2012, Korea Eximbank donated approximately KRW 4,085 million to various charities, NGOs and social enterprises mainly through the Seed of Hope Program. The amount of donation represents a twofold increase from 2011.

The Seed of Hope Program is comprised of three sub-programs that reach out to various social groups. Through these programs, the Bank not only lends assistance to traditionally disadvantaged groups, but also supports new members of our society such as multi-cultural families and resettled North Koreans. In addition, the Bank endeavors to reach out to communities abroad, striving to live up to its responsibilities as a global corporate citizen.



Serving Free Lunch at a Soup Kitchen

➤ **Reaching out to the Socially Disadvantaged** Korea Eximbank made donations to help the weak and the vulnerable in our society, including disabled persons, senior citizens living alone, and others that may need social assistance. A number of employees volunteered to participate in activities such as serving food at homeless shelters and delivering heating coals to senior citizens living alone. The Bank also supported ten social enterprises providing jobs for disadvantaged groups such as temporary foreign workers, resettled North Koreans.



1. Volunteers at Pepper Farm in the Bank's Sister Village in Gangwon-do  
 2. Habitat for Humanity Volunteers in Navotas, Philippines  
 3. Heating Coal Delivery Volunteer Service for Senior Citizens Living Alone

➤ **Helping New Members of Korean Society Adjust** Korea Eximbank focused on supporting new members of the society such as multi-cultural families and resettled North Koreans. The amount of donations for multi-cultural families and resettled North Koreans almost doubled from the previous year. In order to help multi-cultural children develop as successful members of the society, the Bank supported various educational programs, arranging tours to the Expo in Yeosu and inviting children of multi-cultural families to musicals highlighting the importance of economics and its applications in everyday life. In addition, the Bank organized an economics class as an alternative schooling program for multi-cultural children, as well as a “Global Star Camp” where students from multi-cultural families had a chance to learn performing arts such as acting and dancing from Swedish artists.

The Bank supported the First North-South United Athletics Competition, where resettled North Koreans and amateur soccer teams participated. Also, in order to provide continuous support for resettled North Koreans, the Bank entered into a sisterhood relationship with “Family,” a group home of resettled North Korean adolescents, providing scholarships and education opportunities. The Bank will continue to provide scholarships and support alternative schools for resettled North Korean students.

➤ **Serving the Global Community** Korea Eximbank's social outreach and assistance efforts do not stop at Korea's borders. As an export credit agency, the Bank also took great pains to serve the global community through donations and volunteer services to countries like Mongolia and the Philippines. Some notable contributions of the Bank include: donating food to residents in Kokang province in Myanmar (sixth consecutive year of support), assisting the building of a school and restroom in BotVeng, a village in Cambodia with which the Bank has a sisterhood relationship, and the building of a health care center for Tonj village in South Sudan as part of its EDCF-funded effort.

Country	Service
Cambodia	Building a school and restroom for BotVeng Village (Sister Village of Korea Eximbank)
South Sudan	Building a health care center for Tonj Village (Korea Eximbank also made donations for the program)
Myanmar	Donation of food to residents of Kokang Province
Philippines	Building houses for homeless residents
Mongolia	Rebuilding houses for the poor

**Volunteer Work** Korea Eximbank encourages employees to get involved in community services and volunteer for charities. In 2012, 734 employees volunteered to help orphanages, nursing homes, and homeless shelters, among others. In addition to cleaning facilities such as orphanages and nursing homes, 15 volunteers taught economics classes for students in a neighboring elementary school over the course of four weeks. Clubs within the Bank also organized outdoor events and cultural site visits for orphanages, and newly employed staff visited nursing homes to care for and assist disabled children during their employee orientation. For those who were willing to volunteer on weekends and holidays, the Bank provided support in the form of matching grant. Also, to fully exploit their capacities as finance specialists, 12 members of the KEXIM Pro-bono Corps used their knowledge to provide social enterprises with professional services such as accounting, marketing strategy, and corporate finance.



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# Independent Auditors' Report

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

We have audited the accompanying non-consolidated statements of financial position of the Export-Import Bank of Korea (the "Bank") as of December 31, 2012 and 2011, respectively, and the related non-consolidated statements of income, appropriations of retained earnings, changes in shareholders' equity and cash flows, all expressed in Korean won, for the years then ended December 31, 2012 and 2011, respectively. The Bank's management is responsible for the preparation and fair presentation of the non-consolidated financial statements and our responsibility is to express an opinion on these non-consolidated financial statements based on our audits.

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

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2012 and 2011, respectively, and its results of operations and its cash flows for the years then ended December 31, 2012 and 2011, respectively, in conformity with the Export-Import Bank of Korea Act and the related accounting principles.

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

*Deloitte Anjin LLC*

February 28, 2013

This report is effective as of February 28, 2013, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying non-consolidated financial statements and may result in modifications to the auditors' report.



# Non-consolidated Statements of Financial Position

AS OF DECEMBER 31, 2012 AND 2011

(KRW In millions)	2012	2011
<b>ASSETS</b>		
Due from banks (Notes 3, 20 and 24)	₩ 2,134,083	₩ 2,707,643
Securities (Notes 4 and 20)	4,493,313	3,948,931
Loans, net (Notes 5, 6, 20 and 23)	45,859,205	46,117,902
Tangible assets (Note 7)	42,100	33,182
Other assets (Notes 8, 16 and 19)	2,059,412	2,325,685
	₩ 54,588,113	₩ 55,133,343
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES:</b>		
Borrowings (Notes 9, 20 and 23)	₩ 42,777,337	₩ 44,555,746
Other liabilities (Notes 10, 11, 12, 13 and 16)	3,245,219	3,068,297
	46,022,556	47,624,043
<b>SHAREHOLDERS' EQUITY:</b>		
Capital stock (Note 14)	7,138,055	6,258,755
Accumulated other comprehensive income (loss) (Notes 4, 16 and 21)	11,328	(50,307)
Retained earnings (Note 14)	1,416,174	1,300,852
	8,565,557	7,509,300
	₩ 54,588,113	₩ 55,133,343

See accompanying notes to non-consolidated financial statements.

# Non-consolidated Statements of Income

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(KRW In millions)	2012	2011
<b>OPERATING REVENUES:</b>		
Interest income (Notes 17 and 23):		
Interest on due from banks	₩ 56,332	₩ 30,577
Interest on securities	1,577	2,181
Interest on loans	1,713,002	1,371,175
	1,770,911	1,403,933
Gain on valuation and disposal of securities:		
Gain on disposal of available-for-sale securities	61,640	-
	61,640	-
Gain on valuation and disposal of loans:		
Gain on disposal of loans	21	25
	21	25
Foreign exchange trading income	1,166,234	1,316,884
Gain on derivatives (Note 16):		
Gain on derivatives – trading	377,131	171,027
Gain on valuation of derivatives	526,951	487,066
Gain on valuation of fair value hedged items	220,577	242,799
	1,124,659	900,892
Commission:		
Commission income (Note 23)	85,549	67,673
Guarantee income	215,142	215,950
	300,691	283,623
Dividend on available-for-sale securities	18,459	107,099
Other operating revenues:		
Reversal of allowances for possible losses on acceptance and guarantee (Note 11)	-	108,071
Reversal of allowances for possible losses on other commitment (Note 12)	42,111	-
Gain on redemption of debentures	-	20
Other operating revenues	3,855	4,580
	45,966	112,671
<b>Total operating revenues</b>	<b>4,488,581</b>	<b>4,125,127</b>

(continued)

(KRW In millions)

	2012	2011
<b>OPERATING EXPENSES:</b>		
Interest expenses (Notes 17 and 23):		
Interest on call money	₩ 3,957	₩ 9,587
Interest on borrowings	48,126	46,944
Interest on debentures	1,376,640	1,017,825
	1,428,723	1,074,356
Loss on valuation and disposal of securities:		
Impairment loss on available-for-sale securities	9,472	4,644
Loss on disposal of available-for-sale securities	7,735	-
	17,207	4,644
Loss on valuation and disposal of loans:		
Provision for possible loan losses (Note 6)	253,679	502,325
	253,679	502,325
Foreign exchange trading losses	835,952	1,077,037
Loss on derivatives (Note 16):		
Loss on derivatives trading	354,921	142,350
Loss on valuation of derivatives	697,619	552,617
Loss on valuation of fair value hedged items	348,223	434,483
	1,400,763	1,129,450
Commission expenses	5,996	8,058
General and administrative expenses (Notes 18 and 25)	161,028	142,286
Contribution to miscellaneous funds	6,446	6,426
Other operating expenses:		
Allowances for possible losses on acceptance and guarantee (Note 11)	146,596	-
Allowances for possible losses on unused loan commitments (Note 11)	51,532	30,341
Allowances for possible losses on other commitments (Note 12)	-	4,134
Loss on redemption of debentures	854	16
Other operating expenses	289	369
	199,271	34,860
Total operating expenses	4,309,065	3,979,442

(continued)

(KRW In millions)		2012	2011
OPERATING INCOME	₩	179,516	₩ 145,685
NON-OPERATING INCOME		18,192	12,622
NON-OPERATING EXPENSES		10,707	4,181
NET INCOME BEFORE INCOME TAX EXPENSE		187,001	154,126
INCOME TAX EXPENSE (Note 19)		38,062	7,324
NET INCOME	₩	148,939	₩ 146,802

See accompanying notes to non-consolidated financial statements.



# Non-consolidated Statements of Appropriations of Retained Earnings

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(KRW In millions)	2012	2011
<b>RETAINED EARNINGS BEFORE APPROPRIATIONS:</b>		
Unappropriated retained earnings carried over from prior years	₩ -	₩ -
Net income	148,939	146,802
	148,939	146,802
<b>APPROPRIATIONS:</b>		
Legal reserve	14,894	14,681
Other reserve	99,759	98,504
Dividends	34,286	33,617
	148,939	146,802
<b>UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR</b>	₩ -	₩ -

See accompanying notes to non-consolidated financial statements.

# Non-consolidated Statements of Changes in Shareholders' Equity

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(KRW In millions)			Accumulated other comprehensive income (loss)		Retained earnings		Total	
	₩		₩		₩		₩	
January 1, 2011	₩	5,158,755	₩	197,740	₩	1,166,391	₩	6,522,886
Dividends		-		-		(12,341)		(12,341)
Balance after appropriations		5,158,755		197,740		1,154,050		6,510,545
Increase in capital stock		1,100,000		-		-		1,100,000
Net income		-		-		146,802		146,802
Loss on valuation of available-for-sale securities		-		(248,512)		-		(248,512)
Gain on valuation of securities using equity method		-		465		-		465
December 31, 2011	₩	6,258,755	₩	(50,307)	₩	1,300,852	₩	7,509,300
January 1, 2012	₩	6,258,755	₩	(50,307)	₩	1,300,852	₩	7,509,300
Dividends		-		-		(33,617)		(33,617)
Balance after appropriations		6,258,755		(50,307)		1,267,235		7,475,683
Increase in capital stock		879,300		-		-		879,300
Net income		-		-		148,939		148,939
Gain on valuation of available-for-sale securities		-		63,353		-		63,353
Gain on valuation of cash flow hedging derivatives		-		1,492		-		1,492
Loss on valuation of cash flow hedging derivatives		-		(3,210)		-		(3,210)
December 31, 2012	₩	7,138,055	₩	11,328	₩	1,416,174	₩	8,565,557

See accompanying notes to non-consolidated financial statements.

# Non-consolidated Statements of Cash Flows

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(KRW In millions)		2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	₩	148,939	₩ 146,802
Adjustments to reconcile net income to net cash used in operating activities:			
Amortization of discounts on debentures		76,151	340,939
Impairment loss on available-for-sale securities		9,472	4,644
Provision for possible loan losses		253,679	502,325
Foreign exchange trading losses		796,943	1,017,377
Loss on valuation of derivatives		697,619	552,617
Loss on hedged items		348,223	434,483
Provision for severance benefits		6,828	7,116
Depreciation		3,705	3,364
Amortization		1,597	1,300
Allowances for possible losses on acceptance and guarantee		146,596	-
Allowances for possible losses on unused loan commitments		51,532	30,341
Allowances for possible losses on other commitments		-	4,134
Loss on redemption of debentures		854	16
Loss on disposal of tangible assets		3	3
Loss on disposal of securities using the equity method		11	-
Amortization of present-value discount		(8,848)	(7,175)
Foreign exchange trading income		(1,158,100)	(1,166,687)
Gain on valuation of derivatives		(526,951)	(487,066)
Gain on hedged items		(220,577)	(242,799)
Reversal of allowances for possible losses on acceptance and guarantee		-	(108,071)
Reversal of allowances for possible losses on other commitment		(42,111)	-
Gain on redemption of debentures		-	(20)
Gain on disposal of tangible assets		(773)	(79)
Gain on valuation of securities using the equity method		(14,928)	(10,541)
		420,925	876,221
Changes in assets and liabilities resulting from operations:			
Net decrease (increase) in available-for-sale securities		409,128	(20,717)
Net decrease in securities using the equity method		1,823	627
Net (increase) in loans		(768,045)	(6,114,493)
Net decrease in accounts receivable		43,330	215
Net (increase) in accrued income		(132,104)	(36,897)
Net decrease (increase) in prepaid expense		110,131	(37,716)
Net (increase) in prepayment		-	(2)

(continued)

(KRW In millions)

	2012		2011	
	₩		₩	
Net (increase) in deferred income tax assets		(45,690)		(140,228)
Net decrease in derivatives assets		561,388		385,524
Net (increase) in other assets		(950)		(511)
Payment of severance benefits		(5,146)		(2,399)
Net (increase) in plan assets		(28,324)		
Net (decrease) in allowances for other commitments		(265)		(2,091)
Net (decrease) in unpaid foreign exchange liabilities		(28,324)		(246,796)
Net increase (decrease) in accounts payable		526,055		(59,508)
Net (decrease) increase in accrued expenses		(498,604)		63,225
Net increase in deferred revenue		28,267		48,738
Net (decrease) in derivatives liabilities		(271,464)		(202,398)
Net (decrease) increase in other liabilities		(96,314)		19,716
		(195,108)		(6,345,711)
Net cash provided by (used in) operating activities		374,756		(5,322,688)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Disposal of tangible assets		1,079		81
Acquisition of tangible assets		(12,932)		(3,058)
Net increase in deposits		(7,225)		(1,279)
Acquisition of intangible assets		(4,710)		(4,201)
Net cash (used in) investing activities		(23,788)		(8,457)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Net (decrease) increase in borrowings in foreign currencies		(2,423,213)		1,689,256
Net (decrease) in call money		(68,323)		(690,514)
Net (decrease) increase in debentures in local currency		(155,107)		887,672
Net increase in debentures in foreign currencies		1,756,741		4,453,699
Net increase in capital		-		100,000
Net (decrease) increase in guarantee deposits received		(1,009)		988
Payment of dividends		(33,617)		(12,340)
Net cash (used in) provided by financing activities		(924,528)		6,428,761
<b>NET (DECREASE) INCREASE IN DUE FROM BANKS</b>		(573,560)		1,097,616
<b>DUE FROM BANKS, BEGINNING OF PERIOD</b>		2,707,643		1,610,027
<b>DUE FROM BANKS, END OF PERIOD (Note 24)</b>	₩	2,134,083	₩	2,707,643

See accompanying notes to non-consolidated financial statements.





# Notes to Non-consolidated Financial Statements

AS OF DECEMBER 31, 2012 AND 2011 AND FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

## 1. GENERAL:

The Export-Import Bank of Korea (the “Bank”) was established in 1976 as a special financial institution under the Export-Import Bank of Korea Act (the “EXIM Bank Act”) to grant financial facilities for overseas trade (i.e., import and export), investments and resources development activities. As of December 31, 2012, the Bank operates 10 domestic branches, 4 overseas subsidiaries, and 15 overseas offices.

The Bank’s authorized capital is ₩8,000,000 million, and through numerous capital increases since the establishment, its paid-in capital is ₩7,138,055 million as of December 31, 2012. The Government of the Republic of Korea (the “Government”), the Bank of Korea (“BOK”), and Korea Finance Corporation hold 67.52%, 16.32% and 16.16%, respectively, of the ownership of the Bank as of December 31, 2012.

The Bank, as a trustee of the Government, has managed the Economic Development Cooperation Fund since June 1987 and the Inter-Korean Cooperation Fund since March 1991. The funds are accounted separately and not included in the Bank’s non-consolidated financial statements. The Bank receives fees from the Government for the trustee services.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

### Basis of Non-consolidated Financial Statement Presentation

The Bank maintains its accounting records in Korean won and prepares non-consolidated financial statements in Korean language in conformity with the Export-Import Bank of Korea Act and the related accounting principles. Certain accounting principles applied by the Bank that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these non-consolidated financial statements are intended solely for use by those who are informed about Korean accounting principles and practices.

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

The accompanying non-consolidated financial statements were authorized for issue on February 28, 2013, by the Operation Committee of the Bank.

### Revenue Recognition

The Bank recognizes interest income from deposits, loans and securities on an accrual basis. However, the Bank recognizes interest income on a cash basis when interest income relates to overdue principal without payment guarantees by any other financial institutions. Interest accrued but not recognized as revenue related to such overdue loans amounted to ₩11,951 million and ₩30,408 million as of December 31, 2012 and 2011, respectively.

### Investments in Securities (Excluding Investments in Associates and Subsidiaries)

**1) Classification** Upon acquisition, the Bank classifies debt and equity securities (excluding investments in subsidiaries, associates and joint ventures) into the following categories: held-to-maturity, available-for-sale or trading securities.

Investments in debt securities where the Bank has positive intent and ability to hold to maturity are classified as held-to-maturity securities. Securities that are acquired principally for the purpose of selling in the short term are classified as trading securities. Investments not classified as either held-to-maturity or trading securities are classified as available-for-sale securities.

**2) Initial recognition** Investments in securities (excluding investments in subsidiaries, associates and joint ventures) are initially recognized at cost.

**3) Subsequent measurement and income recognition** Trading securities are subsequently carried at their fair value. Gains and losses arising from changes in fair values of trading securities are included in the non-consolidated statements of income for the period they arise. Available-for-sale securities are subsequently carried at fair value. Gains and losses arising from changes in

fair values of available-for-sale securities are recognized in the accumulated other comprehensive income, net of tax, directly in equity. Investments in available-for-sale securities that do not have readily determinable fair values are recognized at cost, less impairment, if any. Held-to-maturity investments are carried at amortized cost with interest income and expense being recognized in the non-consolidated statements of income using the effective interest rate method.

**4) Fair value information** Fair values of marketable securities are determined using quoted market prices at the end of each reporting period. Non-marketable debt securities are valued by discounting cash flows using the prevailing market rates of a debt with a similar credit risk and remaining maturity. Credit risk is determined by using the Bank's credit rating as announced by accredited credit rating agencies in the Republic of Korea. Fair values of investments in money market funds are determined by investment management companies.

**5) Impairment** The Bank reviews investments in securities when events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. Impairment losses are recognized when the reasonably estimated recoverable amounts are less than the carrying amounts and it is not obviously evident that impairment is unnecessary.

An impairment loss is reversed when the value of impaired investments subsequently recovers and the recovery can be objectively related to an event occurring after the impairment loss was recognized. When no impairment loss was previously recognized, reversal of an impairment loss shall not exceed the carrying amount, net of amortization or depreciation.

## Investments in Associates and Subsidiaries

An associate is an entity over which the Bank has significantly influence on the financial and operating policies of the entity. It is presumed to have significant influence if the Bank holds directly or indirectly 15% or more of the voting power or has significant influence in the way of representation on the board of directors or equivalent governing body of the investee, unless it can be clearly demonstrated that this is not the case. A subsidiary is an entity controlled by the Bank.

Investments in associates and subsidiaries are accounted for using the equity method and are initially recognized at cost.

The Bank's share of its post-acquisition profits or losses in investments in associates and subsidiaries is recognized in the non-consolidated statements of income and its share of post-acquisition movements in equity is recognized in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of each investment. Changes in the carrying amount of an investment resulting from dividends by an associate or subsidiary are recognized when the associate or subsidiary declares the dividend. When the Bank's share of losses in an associate or subsidiary equals or exceeds its interest in the associate or subsidiary, including preferred stock or other long-term loans and receivables issued by the associate or subsidiary, the Bank does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate or subsidiary.

If the investee is a subsidiary, net income and net assets of the parent company's non-consolidated financial statements should agree with the parent company's share in the net income and net assets of the consolidated financial statements, except when the parent company discontinues the application of the equity method due to its investment in a subsidiary being reduced to zero.

Unrealized gains and losses on transactions between the Bank and its associates or subsidiaries are eliminated to the extent of the Bank's interest in each associate or subsidiary.

## Allowance for Loan Losses

Based on the future loan repayment capacity of a borrower and its' past repayment history, the Bank classifies loans into five categories: "normal," "precautionary," "substandard," "doubtful" and "estimated loss," in accordance with the banking regulation in the Republic of Korea. Except for call loans and interbank loans under "normal" category, the Bank provides allowance for loan losses per each loan categories, which is the greater of the amounts based on the expected loss method or the amount at the prescribed minimum levels of allowances in accordance with the Financial Supervisory Service Guideline of Korea ("FSS Guideline").

**(a) Expected Loss Method** The allowance for normal loans is calculated by multiplying each outstanding loan balance by probability of default and loss given default. The Bank provides additional allowance for considering risks associated with a certain industry and country concentration. The allowances for loans classified other than "normal" are estimated based on the expected future cash flows.

**(b) FSS Guideline** The prescribed minimum levels of allowances in accordance with the Regulations for the Supervision of Banks are as follows:

Normal (*)	0.85%
Precautionary	7%
Substandard	20%
Doubtful	50%
Estimated loss	100%

(\*) 0.9% for market sensitive sectors, including construction, real estate and rental services, retail and wholesale, lodging and restaurant

## Troubled Debt Restructuring

Loans with modified contract terms by a troubled debt restructuring program are accounted for at the present value of the rescheduled future cash flows expected, of which the discount rate is same as the effective rate of the original loan. The excess of the carrying amount over the present value of expected cash flows is recorded as allowance for possible loan losses in the current period. The present-value discounts are recorded as allowance for possible loan losses and reflected as a deduction from the nominal value of the loans. If the previously recognized allowance for possible loan loss is greater than the present-value discount, the difference is recorded as reversal of allowance for possible loan losses.

## Deferred Loan Origination Fees

Certain fees associated with lending activities, which meet specified criteria, are deferred and amortized over the life of the loan as an adjustment to the carrying amount of the loan using the effective yield method and recognized as interest income.

## Tangible Assets

Tangible assets are stated at cost (acquisition cost or manufacturing cost, plus expenditures directly related to preparing the asset ready for use for a place). Assets acquired through investment in-kind or donations are recorded at their fair value upon acquisition. For assets acquired in exchange for a non-monetary asset, the fair value of the asset given up is used to measure the cost of the asset received, unless the fair value of the asset received is more clearly evident.

Significant additions or improvements extending the useful life of assets are capitalized. Normal maintenance and repairs are charged to expense as incurred.

Tangible assets are depreciated over the estimated useful lives of the assets using the following methods:

	Useful lives (years)	Depreciation method
Buildings	10–60	Straight line (*)
Vehicles	4	Declining balance
Equipment	4–20	Declining balance

(\*) Buildings acquired and related improvements made prior to January 1, 1995, are depreciated using the declining-balance method.

The Bank reviews tangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future net cash flows from the use of the asset and its eventual disposal are less than its carrying amount.

## Intangible Assets

Intangible assets are stated at the production or purchase cost, plus incidental expenses and capital expenditures. Amortization is computed using the straight-line method over five years and directly reduced from intangible assets.

Intangible assets are subject to an impairment review if there are events or changes in circumstances that indicate that the carrying amount may not be recoverable. An impairment loss is recognized by reducing the carrying amount to the recoverable amount.

## Discount of Premium on Debentures

Discount or premium on debentures issued, which represents the difference between the face value and issuance price of debentures, is amortized or accreted using the effective interest rate method over the life of the debentures. The amount amortized or accreted is included in interest expense or income.

## Retirement and Severance Benefits

Employees who have been with the Bank for more than one year are entitled to lump-sum payments based on salary rates and length of service at the time they leave the Bank. The Bank's estimated liability under the plan, which would be payable if all employees left at the end of the reporting period, is accrued for in the non-consolidated statements of financial position.

The Bank has funded its retirement pension plan assets since 2012 and the fair value of plan assets are presented as deducted from the accrued severance benefits. If the plan assets exceed the accrued severance benefits, the excess amount shall be recognized as an investment.

## Allowance for Possible Losses on Acceptances and Guarantees

The Bank provides allowance for possible losses on outstanding acceptances and guarantees, the amount after considering the credit conversion factors ("CCF"s), using the same allowance methodology used for estimating allowance for possible loan losses. However, the Bank does not provide additional allowance for risks associated with a certain industry and country concentration for unconfirmed acceptances and guarantees.

## Allowance for Possible Losses on Unused Loan Commitments

The Bank provides allowance for possible loss on unused loan commitments, the amount after considering the CCFs, using the same allowance methodology used for estimating allowance for possible loan loss. However, the Bank does not provide the additional allowance for risks associated with a certain industry and country concentration for unused loan commitments.

## Provisions

Provisions are recognized when all of the following are met: (1) the Bank has a present obligation as a result of a past event, (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and (3) a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, a provision is recorded at the present value of the expenditures expected to be required to settle the obligation.

Where the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset when, and only when, it is virtually certain that reimbursement will be received if the Bank settles the obligation. The expense generated by the provision is presented net of the amount of expected reimbursement.

## Derivatives and Hedge Accounting

The Bank holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Attributable transaction costs are recognized in profit or loss when incurred.



**1) Hedge accounting** When a derivative, which meets certain criteria, is used for hedging the exposure to changes in the fair value of a recognized asset, liability or firm commitment, it is designated as a fair value hedge. When a derivative, which meets certain criteria, is used for hedging the exposure to the variability of the future cash flows of a forecasted transaction, it is designated as a cash flow hedge.

The Bank documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Bank also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting the changes in fair values or cash flows of hedged items.

**2) Fair value hedge** Changes in fair value of derivatives that are designated and qualified as fair value hedges are recorded in the non-consolidated statements of income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

**3) Cash flow hedge** The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income. Gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss.

Hedge accounting is discontinued when the Bank revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity until the forecast transaction is ultimately recognized in net income. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

## Income Taxes

Income tax expenses for the year comprise current and deferred income taxes. Income tax is recognized in the non-consolidated statements of income, except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The amounts of deferred tax provided are based on the expected manner of realization or settlement of the carrying amounts of assets and liabilities using tax rates enacted or substantively enacted at the end of the reporting period.

A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the unused tax losses and credits can be utilized. Deferred income tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Changes in deferred taxes due to a change in the tax rate, except for those related to items initially recognized outside profit or loss (either in other comprehensive income or directly in equity), are recognized as profit or loss in the current year.

## Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the foreign exchange rate at the end of the reporting period, with the resulting gains or losses recognized in the non-consolidated statements of income. Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at ₩1,071.1 and ₩1,153.3 to USD 1 based on the basic exchange rate and the cross-exchange rate announced by Seoul Monetary Brokerage Services Ltd. on December 31, 2012 and 2011, respectively. Financial statements of foreign-based operations, branches and companies accounted for using the equity method are translated at the rate of exchange at the end of the reporting period.

## Use of Estimates

The preparation of non-consolidated financial statements in accordance with the Export-Import Bank of Korea Act and the related accounting principles requires management to make estimates and assumptions that affect the amounts reported in the non-consolidated financial statements and related notes to non-consolidated financial statements. Actual results could differ from those estimates.

### 3. DUE FROM BANKS:

(1) Due from banks as of December 31, 2012 and 2011 are as follows (Korean won in millions):

	Financial institution	Interest (%)	2012	2011
Due from banks in local currency	Reserve deposit (*1)	-	₩ 4	₩ 18
	Demand deposits	-	639	973
	Time deposits	3.00–4.00	555,000	592,000
	Others	2.70–2.85	228,100	387,550
			783,743	980,541
Due from banks in foreign currencies	Demand deposits	-	59,670	84,079
	Others (*2)	Federal funds rate- 0.18 and others	1,290,670	1,643,023
			1,350,340	1,727,102
			₩ 2,134,083	₩ 2,707,643

(\*1) It is restricted use by Bank of Korea (the "BOK") Act.

(\*2) As of December 31, 2012 and 2011, the Bank has the restricted deposits amounting to ₩310,640 million and ₩109,379 million, respectively, which are provided to the Bank of America and others as credit support annex for derivative transactions.

(2) Due from banks by financial institution as of December 31, 2012 and 2011 are as follows (Korean won in millions):

	2012			2011		
	Due from banks in local currency	Due from banks in foreign currencies	Total	Due from banks in local currency	Due from banks in foreign currencies	Total
The BOK	₩ 4	₩ -	₩ 4	₩ 18	₩ -	₩ 18
Banks	567,239	1,338,650	1,905,889	607,523	1,725,937	2,333,460
Others	216,500	11,690	228,190	373,000	1,165	374,165
	₩ 783,743	₩ 1,350,340	₩ 2,134,083	₩ 980,541	₩ 1,727,102	₩ 2,707,643

(3) The maturities of due from banks as of December 31, 2012 and 2011 are as follows (Korean won in millions):

2012					
	Due in 3 months or less	Due after 3 months to 6 months	Due after 6 months to 12 months	Total	
Due from banks in local currency	₩ 492,143	₩ 155,000	₩ 136,600	₩	787,743
Due from banks in foreign currencies	888,050	32,133	430,157		1,350,340
	₩ 1,380,193	₩ 187,133	₩ 566,757	₩	2,134,083

2011					
	Due in 3 months or less	Due after 3 months to 6 months	Due after 6 months to 12 months	Total	
Due from banks in local currency	₩ 198,000	₩ 142,550	₩ 639,991	₩	980,541
Due from banks in foreign currencies	1,218,690	-	508,412		1,727,102
	₩ 1,416,690	₩ 142,550	₩ 1,148,403	₩	2,707,643

#### 4. SECURITIES:

(1) Securities as of December 31, 2012 and 2011 are as follows (Korean won in millions):

	2012	2011
Available-for-sale securities	₩ 3,864,932	₩ 3,700,301
Securities using the equity method	628,381	248,630
	₩ 4,493,313	₩ 3,948,931

(2) Available-for-sale securities as of December 31, 2012 and 2011, are as follows (Korean won in millions):

	2012	2011
Equity securities:		
Marketable equity securities	₩ 270,964	₩ 571,514
Non-marketable equity securities	3,540,638	3,097,968
Beneficiary certificates	2,013	3,003
Equity investment	22,315	22,939
	3,835,930	3,695,424
Debt securities:		
Other securities in foreign currencies	29,002	4,877
	₩ 3,864,932	₩ 3,700,301

1) Debt securities as of December 31, 2012 and 2011, are as follows (Korean won in millions):

2012					
	Face value	Acquisition costs	Amortized costs (*1)	Fair value (*2)	Book value
Other securities in foreign currencies	₩ 28,476	₩ 29,047	₩ 29,013	₩ 29,002	₩ 29,002

(\*1) The difference between face value and acquisition cost is amortized using the effective interest rate method.

(\*2) Fair value of debt securities in foreign currency was calculated by using standard price for the latest transaction date presented by Euroclear, a securities and depository clearing house, and Bloomberg.

2011					
	Face value	Acquisition costs	Amortized costs (*1)	Fair value (*2)	Book value
Other securities in foreign currencies	₩ 17,435	₩ 17,996	₩ 17,618	₩ 4,877	₩ 4,877

(\*1) The difference between face value and acquisition cost is amortized using the effective interest rate method.

(\*2) Fair value of debt securities in foreign currency was calculated by using standard price for the latest transaction date presented by Euroclear, a securities and depository clearing house.

2) The maturities of debt securities as of December 31, 2012 and 2011 are as follows (Korean won in millions):

2012					
	Due in 1 year or less	Due after 1 year to 5 years	Due after 5 years to 10 years	Due after 10 years	Total
Other securities in foreign currencies	₩ 28,887	₩ -	₩ 115	₩ -	₩ 29,002

2011					
	Due in 1 year or less	Due after 1 year to 5 years	Due after 5 years to 10 years	Due after 10 years	Total
Other securities in foreign currencies	₩ -	₩ 123	₩ 3,944	₩ 810	₩ 4,877



3) Marketable equity securities as of December 31, 2012 and 2011 are as follows (Korean won in millions):

2012					
	Number of shares	Ownership (%)	Book value before fair value adjustment		Fair value (book value)
Industrial Bank of Korea	8,501,153	1.56	₩	106,264	₩ 100,739
SK Networks Co., Ltd.	9,886,160	3.98		99,850	83,538
Kumho Tires Co., Inc. (*)	7,197,800	5.70		63,046	79,521
SAMT Co., Inc. (*)	3,459,279	4.32		3,781	6,061
Hanchang Paper Co., Ltd. (*)	1,293,600	2.50		653	673
JY Solutec Co., Ltd. (*)	546,667	1.72		358	432
			₩	273,952	₩ 270,964

(\*) Shares of Kumho Tires Co., Inc.; SAMT Co., Inc.; Hanchang Paper Co., Ltd.; and JY Solutec Co., Ltd. are restricted for sale as of December 31, 2012.  
The Bank recorded the fair value of these securities restricted for sale by using the fair value information from the external pricing agency, Korea Asset Pricing ("KAP").

2011					
	Number of shares	Ownership (%)	Book value before fair value adjustment		Fair value (book value)
Korea Exchange Bank ("KEB")	40,314,387	6.25	₩	475,710	₩ 296,311
Industrial Bank of Korea	8,501,153	1.56		159,396	106,264
SK Networks Co., Ltd.	9,886,160	3.98		131,980	99,850
Kumho Tires Co., Inc. (*)	7,197,800	6.77		40,891	63,046
SAMT Co., Inc. (*)	3,459,279	4.32		3,865	3,781
UNISON	156,363	0.37		946	1,251
Hanchang Paper Co., Ltd. (*)	1,293,600	2.50		653	653
JY Solutec Co., Ltd. (*)	546,667	1.72		290	358
			₩	813,731	₩ 571,514

(\*) Shares of Kumho Tires Co., Inc.; SAMT Co., Inc.; Hanchang Paper Co., Ltd.; and JY Solutec Co., Ltd. are restricted for sale as of December 31, 2011.  
The Bank recorded the fair value of these securities restricted for sale by using the fair value information from the external pricing agency, KAP.

4) Non-marketable equity securities as of December 31, 2012 and 2011, are as follows (Korean won in millions):

2012					
	Number of shares	Ownership (%)	Book value before fair value adjustment	Book value (*1)	
Korea Expressway Corp.	328,714,464	12.30	₩ 2,659,864	₩ 3,123,445	
Kyobo Life Insurance Co., Ltd.	1,199,001	5.85	317,136	304,383	
Industrial Bank of Korea (preferred stock)	6,210,000	6.34	69,863	66,230	
Pantech Co., Ltd.	58,713,052	3.33	25,540	25,775	
Daehan Shipbuilding Corp.	2,863,400	10.32	21,278	16,843	
Korea Ship Finance Co., Ltd.	254,000	14.99	1,646	1,769	
Ajinpaper Co., Ltd.	49,575	1.75	858	731	
Cosmotech Co., Ltd.	1,978,000	4.30	595	-	
Korea Money Brokerage Corp.	11,134	0.56	433	412	
SB Telcom	420,984	3.29	210	-	
Daewoo Electronics Corp.	1,122	0.21	167	166	
Korea Data Systems Co., Ltd. (redeemable preferred stock)	320	0.01	-	-	
Others	302,024	-	810	884	
			₩ 3,098,400	₩ 3,540,638	

(\*1) As of December 31, 2012, the Bank recorded the fair value of the shares of Korea Expressway Corp.; Kyobo Life Insurance Co., Ltd.; Industrial Bank of Korea (preferred stock); Pantech Co., Ltd.; Daehan Shipbuilding Corp.; Korea Ship Finance Co., Ltd.; Ajinpaper Co., Ltd.; Cosmotech Co., Ltd.; SB Telcom; Daewoo Electronics Corp.; and Korea Data Systems Co., Ltd. (redeemable preferred stock) by using the fair value information from KAP. The remaining securities were recorded at the acquisition costs since the fair value was not readily determinable. The shares of Daewoo Electronics Corp.; Pantech Co., Ltd.; SB Telcom; and Korea Data Systems Co., Ltd. (redeemable preferred stock) are restricted for sale as of December 31, 2012.

2011					
	Number of shares	Ownership (%)	Book value before fair value adjustment	Book value (*)	
Korea Expressway Corp.	280,961,704	11.82	₩ 2,695,829	₩ 2,659,864	
Kyobo Life Insurance Co., Ltd.	1,199,001	5.85	307,704	317,136	
Industrial Bank of Korea (preferred stock)	6,210,000	6.34	104,794	69,863	
Pantech Co., Ltd.	58,713,052	3.33	23,837	25,540	
Daehan Shipbuilding Corp.	2,863,400	10.32	24,116	21,278	
Korea Ship Finance Co., Ltd.	254,000	14.99	1,528	1,646	
Cosmotech Co., Ltd.	1,978,000	4.29	595	595	
SB Telcom	420,984	3.29	210	210	
Daewoo Electronics Corp.	1,122	0.21	194	167	
Korea Data Systems Co., Ltd. (redeemable preferred stock)	320	0.01	1	-	
Others	1,408,347	-	2,377	1,699	
			₩ 3,161,185	₩ 3,097,968	

(\*) As of December 31, 2011, the Bank recorded the fair value of the shares of Korea Expressway Corp.; Kyobo Life Insurance Co., Ltd.; Industrial Bank of Korea (preferred stock); Pantech Co., Ltd.; Korea Ship Finance Co., Ltd.; Daewoo Electronics Corp.; and Korea Data Systems Co., Ltd. (redeemable preferred stock) by using the fair value information from KAP. The remaining securities were recorded at the acquisition costs since the fair value was not readily determinable. The shares of Pantech Co., Ltd.; SB Telcom; Daewoo Electronics Corp and Korea Data Systems Co., Ltd. (redeemable preferred stock) are restricted for sale as of December 31, 2011.

5) Beneficiary certificates as of December 31, 2012 and 2011, are as follows (Korean won in millions):

2012			
	Ownership (%)	Book value before fair value adjustment	Book value
KEXIM Carbon Fund	14.97	₩ 3,003	₩ 2,013
2011			
	Ownership (%)	Book value before fair value adjustment	Book value
KEXIM Carbon Fund	14.97	₩ 5,606	₩ 3,003

6) Equity investments as of December 31, 2012 and 2011, are as follows (Korean won in millions):

2012			
	Ownership (%)	Book value before fair value adjustment	Book value
KEXIM Resource Development Fund 1	9.19	₩ 21,433	₩ 21,433
KEXIM Resource Development Fund 2	7.20	882	882
		₩ 22,315	₩ 22,315
2011			
	Ownership (%)	Book value before fair value adjustment	Book value
Korea Asset Management Corp.	0.14	₩ 1,220	₩ 1,220
Korea Money Brokerage Corp.	0.56	323	433
KEXIM Resource Development Fund 1	9.16	20,929	20,929
KEXIM Resource Development Fund 2	7.46	357	357
		₩ 22,829	₩ 22,939

(3) Details of securities using equity method as of December 31, 2012 and 2011, are as follows (Korean won in millions):

	Ownership (%)	Acquisition costs	Book value	
			2012	2011
KEXIM Bank UK Limited	100.00	₩ 42,923	₩ 50,827	₩ 48,460
KEXIM Vietnam Leasing Co.	100.00	7,315	9,830	10,276
PT. KOEXIM Mandiri Finance	85.00	15,927	20,175	25,269
KEXIM Asia Limited	100.00	39,101	49,542	49,139
Credit Guarantee and Investment Facility ("CGIF") (*)	14.29	107,110	109,137	115,486
Korea Asset Management Corp.	25.86	381,392	388,870	-
		₩ 593,768	₩ 628,381	₩ 248,630

(\*) As of December 31, 2012, CGIF is classified into securities using equity method because the Bank has significant influence in the way of representation on the board of directors or equivalent governing body of the investee.

1) As of December 31, 2012 and 2011, gains and losses on the change in value of securities using equity method are as follows (Korean won in millions):

2012								
Company(*1)	Beginning balance	Acquisition	Dividend	Gain (Loss)	Accumulated other comprehensive income (loss)	Others	Ending balance	
KEXIM Bank UK Limited	₩ 48,460	₩ -	₩ (-)424	₩ 4,165	₩ (-)128	₩ (-)1,246	₩ 50,827	
KEXIM Vietnam Leasing Co.	10,276	-	-	287	-	(-)733	9,830	
PT. KOEXIM Mandiri Finance	25,269	-	(-)446	(-)1,509	-	(-)3,139	20,175	
KEXIM Asia Limited	49,139	-	(-)954	3,235	1,508	(-)3,386	49,542	
CGIF	115,486	-	-	1,396	496	(-)8,241	109,137	
Korea Asset Management Corp (*2)	-	381,392	-	7,354	124	-	388,870	
	₩ 248,630	₩ 381,392	₩ (-)1,824	₩ 14,928	₩ 2,000	₩ (-)16,745	₩ 628,381	

(\*1) Due to the time lag in obtaining audited or reviewed financial statements of the investees for the preparation of the Bank's non-consolidated financial statements, the financial statements prepared by the investees' management have been used for equity method accounting. The Bank performed additional procedures to review the reliability of those financial statements prepared by the investees' management.

(\*2) The Bank acquired Korea Asset Management Corp (the "KAMCO") securities by increasing in capital stock by the Government.

2011								
Company(*)	Beginning balance	Dividend	Gain	Accumulated other comprehensive income	Others	Ending balance		
KEXIM Bank UK Limited	₩ 46,705	₩ (-)151	₩ 1,387	₩ -	₩ 519	₩ 48,460		
KEXIM Vietnam Leasing Co.	8,783	-	1,382	-	111	10,276		
PT. KOEXIM Mandiri Finance	22,332	(-)185	3,034	-	88	25,269		
KEXIM Asia Limited	43,731	(-)291	4,582	595	522	49,139		
CGIF	113,890	-	156	-	1,440	115,486		
	₩ 235,441	₩ (-)627	₩ 10,541	₩ 595	₩ 2,680	₩ 248,630		

(\*) Due to the time lag in obtaining audited or reviewed financial statements of the investees for the preparation of the Bank's non-consolidated financial statements, the financial statements prepared by the investees' management have been used for equity method accounting. The Bank performed additional procedures to review the reliability of those financial statements prepared by the investees' management.



2) The summary of financial position and operating results of the entities in securities using equity method as of December 31, 2012 and 2011, is as follows (Korean won in millions):

2012					
	Assets		Liabilities		Stockholders' equity
					Net income
KEXIM Bank UK Limited	₩	445,054	₩	397,225	₩ 47,829
KEXIM Vietnam Leasing Co.		111,566		102,587	8,979
PT. KOEXIM Mandiri Finance		178,531		157,034	21,497
KEXIM Asia Limited		350,797		302,283	48,514
CGIF		764,312		586	763,726
KAMCO.		3,100,410		1,632,089	1,468,321
	₩	4,950,670	₩	2,591,804	₩ 2,358,866
					₩ 3,415
					758
					893
					3,774
					3,504
					32,374
					44,718

2011					
	Assets		Liabilities		Stockholders' equity
					Net income
KEXIM Bank UK Limited	₩	454,747	₩	408,760	₩ 45,987
KEXIM Vietnam Leasing Co.		106,020		96,622	9,398
PT. KOEXIM Mandiri Finance		191,597		167,496	24,101
KEXIM Asia Limited		368,062		320,770	47,292
CGIF		1,436,298		707,679	728,619
	₩	2,556,724	₩	1,701,327	₩ 855,397
					₩ 1,775
					1,522
					2,706
					4,606
					785
					11,394

3) Gains and losses on the changes in value of available-for-sale securities and securities using equity method recorded in accumulated other comprehensive income for the years ended December 31, 2012 and 2011 are as follows (Korean won in millions):

2012					
	Beginning balance	Unrealized gain (loss)	Disposition	Ending balance	
Available-for-sale securities	₩ (-)51,159	₩ (-)65,823	₩ 129,176	₩ 12,194	
Securities using equity method	852	1,492	-	2,344	
	₩ (-)50,307	₩ (-)64,331	₩ 129,176	₩ 14,538	

2011					
	Beginning balance	Unrealized gain (loss)	Disposition	Ending balance	
Available-for-sale securities	₩ 197,353	₩ (-)250,653	₩ 2,141	₩ (-)51,159	
Securities using equity method	387	465	-	852	
	₩ 197,740	₩ (-)250,188	₩ 2,141	₩ (-)50,307	

## 5. LOANS:

(1) Loans outstanding as of December 31, 2012 and 2011 are as follows (Korean won in millions):

	2012		2011	
Loans in local currency:				
Loans for export	₩	8,176,770	₩	7,687,598
Loans for overseas investment		1,473,636		1,271,457
Loans for import		1,418,227		1,293,707
Others		1,176,982		275,277
		12,245,615		10,528,039
Loans in foreign currencies:				
Loans for export		13,724,668		15,374,527
Loans for overseas investment		14,717,700		14,270,392
Trading note rediscount loans		776,548		1,990,901
Loans for import		849,252		940,826
Overseas funding loans		730,194		777,729
Domestic usance bills		206,966		256,340
Interbank loans		965,459		113,315
Others		21,421		23,066
		31,992,208		33,747,096
Changes in fair values of loans in foreign currencies (*)		240,423		303,575
Deferred loan origination fees		(-)208,126		(-)173,290
		32,024,505		33,877,381
Call loans in local currency		-		90,000
Call loans in foreign currencies		1,904,452		1,449,861
Notes bought		-		34,406
Bills bought		1,570,874		2,038,759
Advances for customers		84,987		70,381
Total loans before allowances for possible loan losses		47,830,433		48,088,827
Allowances for possible loan losses		(-)1,971,228		(-)1,970,925
Loans, net of allowances for possible loan losses	₩	45,859,205	₩	46,117,902

(\*) Interest rate swap was contracted to hedge the changes in the fair value of loans in foreign currencies resulting from the volatility in interest rates. Gain or loss on valuation of loans in foreign currencies was recognized as changes in fair values of loans in foreign currencies.

(2) Loans classified by customer as of December 31, 2012 and 2011 are as follows (Korean won in millions):

2012						
	Loans in local currency	Loans in foreign currencies (*1)	Others (*2)	Total	Ratio (%)	
Large corporations	₩ 10,839,607	₩ 14,192,083	₩ 240,842	₩ 25,272,532	52.87	
Small and medium companies	1,239,108	1,683,279	9,062	2,931,449	6.13	
Public sector and others	166,900	16,116,846	3,310,409	19,594,155	41.00	
	₩ 12,245,615	₩ 31,992,208	₩ 3,560,313	₩ 47,798,136	100.00	

2011						
	Loans in local currency	Loans in foreign currencies (*1)	Others (*2)	Total	Ratio (%)	
Large corporations	₩ 8,337,060	₩ 14,254,993	₩ 290,108	₩ 22,882,161	47.71	
Small and medium companies	1,983,583	2,797,277	83,179	4,864,039	10.14	
Public sector and others	207,396	16,694,826	3,310,120	20,212,342	42.15	
	₩ 10,528,039	₩ 33,747,096	₩ 3,683,407	₩ 47,958,542	100.00	

(\*1) The amounts of loans in foreign currencies in the above table exclude deferred loan origination fees and changes in fair values of loans in foreign currencies.

(\*2) Others are composed of bills bought, advances for customers and call loans.

(3) Loans to other financial institutions as of December 31, 2012 and 2011 are as follows (Korean won in millions):

2012				
	Banks	Others	Total	
Loans in local currency	₩ 150,000	₩ -	₩ 150,000	
Loans in foreign currencies	2,149,874	1,465,153	3,615,027	
Other (*)	1,059,933	1,965,881	3,025,814	
	₩ 3,359,807	₩ 3,431,034	₩ 6,790,841	

2011				
	Banks	Others	Total	
Loans in local currency	₩ 330,000	₩ -	₩ 330,000	
Loans in foreign currencies	1,679,510	2,168,895	3,848,405	
Other (*)	-	2,584,329	2,584,329	
	₩ 2,009,510	₩ 4,753,224	₩ 6,762,734	

(\*) Others are composed of bills bought.

(4) Loans classified by industry as of December 31, 2012 and 2011 are as follows (Korean won in millions):

2012						
	Loans in local currency		Loans in foreign currencies (*1)		Others (*2)	Ratio (%)
	₩		₩		₩	
Manufacturing	9,889,137		13,290,234		336,325	49.20
Transportation	133,450		6,302,180		-	13.46
Finance and insurance	150,000		3,615,026		3,025,814	14.21
Wholesale and retail	714,449		1,729,262		95,599	5.31
Real estate	-		16,602		-	0.03
Construction	1,218,342		814,539		44,885	4.35
Public sector and others	140,237		6,224,365		57,690	13.44
	₩ 12,245,615		₩ 31,992,208		₩ 3,560,313	100.00

(\*1) The amounts of loans in foreign currencies in the above table exclude deferred loan origination fees and changes in fair values of loans in foreign currencies.

(\*2) Others are composed of bills bought in foreign currencies, advances for customers and call loans in foreign currencies.

2011						
	Loans in local currency		Loans in foreign currencies (*1)		Others (*2)	Ratio (%)
	₩		₩		₩	
Manufacturing	8,079,117		13,016,262		690,587	45.43
Transportation	132,790		7,691,419		-	16.31
Finance and insurance	330,000		3,848,405		2,584,329	14.10
Wholesale and retail	1,107,705		1,747,770		203,087	6.38
Real estate	-		17,876		-	0.04
Construction	726,070		1,177,641		-	3.97
Public sector and others	152,357		6,247,723		205,404	13.77
	₩ 10,528,039		₩ 33,747,096		₩ 3,683,407	100.00

(\*1) The amounts of loans in foreign currencies in the above table exclude deferred loan origination fees and changes in fair values of loans in foreign currencies.

(\*2) Others are composed of notes bought, bills bought in foreign currencies, advances for customers and call loans in foreign currencies.



(5) Loans classified by risk-possessive country as of December 31, 2012 and 2011 are as follows (Korean won in millions):

	2012							
(*1)	Loans in local currency		Loans in foreign currencies (*2)		Others (*3)		Total	Ratio (%)
Asia:								
Korea	₩	12,245,615	₩	16,896,326	₩	434,203	₩ 29,576,144	61.88
Saudi Arabia		-		1,878,560		945	1,879,505	3.93
Iran		-		154,593		286,620	441,213	0.92
India		-		834,637		39,826	874,463	1.83
Qatar		-		904,746		-	904,746	1.89
Indonesia		-		924,550		9,628	934,178	1.95
Oman		-		648,016		-	648,016	1.36
United Arab Emirates		-		246,163		144,017	390,180	0.82
Others		-		2,378,637		1,142,209	3,520,846	7.37
		12,245,615		24,866,228		2,057,448	39,169,291	81.95
Europe:								
England		-		1,261,157		678,812	1,939,969	4.06
Russia		-		535,441		192,151	727,592	1.52
Greece		-		739,602		-	739,602	1.55
Sweden		-		180,748		-	180,748	0.38
France		-		358,196		1,118	359,314	0.75
Netherlands		-		158,970		674	159,644	0.33
Others		-		675,876		479,237	1,155,113	2.23
		-		3,909,990		1,351,992	5,261,982	11.00
America:								
Brazil		-		772,877		-	772,877	1.62
United States		-		605,048		143,815	748,863	1.57
Canada		-		497,963		-	497,963	1.04
Mexico		-		423,884		-	423,884	0.89
Others		-		426,725		337	427,062	0.89
		-		2,726,497		144,152	2,870,649	6.01
Africa:								
Madagascar		-		487,351		-	487,351	1.02
Others		-		2,142		6,721	8,863	0.02
		-		489,493		6,721	496,214	1.04
	₩	12,245,615	₩	31,992,208	₩	3,560,313	₩ 47,798,136	100.00

2011

(*1)	Loans in local currency		Loans in foreign currencies (*2)		Others (*3)		Total	Ratio (%)
Asia:								
Korea	₩	10,528,039	₩	18,580,339	₩	1,833,550	₩ 30,941,928	64.52
Saudi Arabia		-		1,885,855		20,417	1,906,272	3.97
Iran		-		925,023		542,365	1,467,388	3.06
India		-		942,057		25,316	967,373	2.02
Qatar		-		780,558		385	780,943	1.63
Indonesia		-		650,432		6,064	656,496	1.37
Singapore		-		234,261		41,353	275,614	0.57
Yemen		-		237,266		-	237,266	0.49
Others		-		1,932,046		539,295	2,471,341	5.15
		10,528,039		26,167,837		3,008,745	39,704,621	82.78
Europe:								
England		-		1,301,998		4,371	1,306,369	2.72
Russia		-		651,824		230,712	882,536	1.84
Greece		-		799,693		-	799,693	1.67
Sweden		-		536,909		-	536,909	1.12
France		-		439,995		6,867	446,862	0.93
Belgium		-		331,132		2,654	333,786	0.70
Netherlands		-		195,943		69,026	264,969	0.55
Others		-		110,342		130,072	240,414	0.50
		-		4,367,836		443,702	4,811,538	10.03
America:								
United States		-		548,428		164,577	713,005	1.49
Brazil		-		655,817		1,009	656,826	1.37
Canada		-		551,833		-	551,833	1.15
Peru		-		176,702		-	176,702	0.37
Others		-		740,905		2,413	743,318	1.55
		-		2,673,685		167,999	2,841,684	5.93
Africa:								
Nigeria		-		12,986		265	13,251	0.03
Others		-		524,752		62,696	587,448	1.23
		-		537,738		62,961	600,699	1.26
	₩	10,528,039	₩	33,747,096	₩	3,683,407	₩ 47,958,542	100.00

(\*)1 Risk-possessive country means the country where an entity burdened with substantial risk belongs to.

(\*)2 The amounts of loans in foreign currencies in the above table exclude deferred loan origination fees and changes in fair values of loans in foreign currencies.

(\*)3 Others are composed of bills bought, advances for customers and call loan.

(6) Changes in present-value discounts relating to the troubled debt restructuring for the years ended December 31, 2012 and 2011, are as follows (Korean won in millions):

2012							
	Discount rate (%)	Term (years)	Beginning balance	Addition	Amortization	Changes in exchange rate	Ending balance
Troubled debt restructuring	2.87-13.85	1-13	₩ 29,327	₩ 2,142	₩ (-)6,697	₩ (-)1,687	₩ 23,085

2011							
	Discount rate (%)	Term (years)	Beginning balance	Addition	Amortization	Changes in exchange rate	Ending balance
Troubled debt restructuring	2.87-13.85	1-14	₩ 34,422	₩ 219	₩ (-)5,654	₩ 340	₩ 29,327

As of February 20, 2004, the Bank restructured the remaining balance of USD 299 million overdue loans to Russia (USD 422 million - the principal and interest amounting to USD 262 million and USD 160 million, respectively, at the time of restructuring) after the reduction of unpaid interest of USD 123 million in accordance with the bilateral agreement between the Government and Russian government. As of December 31, 2012 and 2011, the balance of restructured loans to Russia was ₩147,255 million and ₩170,755 million, respectively, and the balance of present-value discounts was ₩20,156 million and ₩24,835 million, respectively.

(7) The maturities of loans as of December 31, 2012 and 2011 are as follows (Korean won in millions):

2012						
	Loans in local currency		Loans in foreign currencies (*1)		Others (*2)	Total
	₩		₩			
Due in 3 months or less	1,794,085		3,538,498		3,068,958	8,401,541
Due after 3 months to 6 months	2,627,836		3,057,079		89,724	5,774,639
Due after 6 months to 1 year	4,063,933		2,745,602		677	6,810,212
Due after 1 year to 2 years	1,553,026		2,714,924		315,967	4,583,917
Due after 2 years to 3 years	820,311		873,471		-	1,693,782
Due after 3 years to 4 years	181,786		1,341,003		-	1,522,789
Due after 4 years to 5 years	1,051,680		2,392,320		-	3,444,000
Due after 5 years	152,958		15,329,311		84,987	15,567,256
	₩ 12,245,615		₩ 31,992,208		₩ 3,560,313	₩ 47,798,136

2011						
	Loans in local currency		Loans in foreign currencies (*1)		Others (*2)	Total
	₩		₩			
Due in 3 months or less	1,513,037		3,752,854		2,718,926	7,984,817
Due after 3 months to 6 months	3,752,968		3,826,765		342,342	7,922,075
Due after 6 months to 1 year	2,359,783		3,036,335		517,352	5,913,470
Due after 1 year to 2 years	975,549		2,115,546		-	3,091,095
Due after 2 years to 3 years	244,559		2,573,155		-	2,817,714
Due after 3 years to 4 years	639,380		520,397		-	1,159,777
Due after 4 years to 5 years	74,392		1,103,659		-	1,178,051
Due after 5 years	968,371		16,818,385		104,787	17,891,543
	₩ 10,528,039		₩ 33,747,096		₩ 3,683,407	₩ 47,958,542

(\*1) The amounts of loans in foreign currencies in the above table exclude deferred loan origination fees and changes in fair values of loans in foreign currencies.

(\*2) Others are composed of bills bought, advances for customers and call loan.

## 6. ALLOWANCES FOR POSSIBLE LOAN LOSSES:

(1) As of December 31, 2012 and 2011, loan balances and allowances for possible loan losses by credit risk classification are as follows (Korean won in millions):

		2012		
		Balance (*)	Allowance	Provision ratio (%)
Loans in local currency	Normal	₩ 9,773,365	₩ 139,238	1.42
	Precautionary	2,255,127	862,004	38.22
	Substandard	102,151	44,487	43.55
	Doubtful	59,085	55,989	94.76
	Estimated loss	55,887	55,887	100.00
		12,245,615	1,157,605	9.45
Loans in foreign currencies	Normal	30,378,524	532,407	1.75
	Precautionary	481,337	46,321	9.62
	Substandard	74,233	32,328	43.55
	Doubtful	67,933	64,378	94.77
	Estimated loss	24,723	24,723	100.00
		31,026,750	700,157	2.26
Other	Normal	1,306,076	14,468	1.11
	Precautionary	297,139	51,019	17.17
	Substandard	8,980	3,911	43.55
	Doubtful	5,477	5,194	94.83
	Estimated loss	38,875	38,874	100.00
		1,656,547	113,466	6.85
		₩ 44,928,912	₩ 1,971,228	4.39

(\*) The loan balances in the above table do not include the present-value discounts. Interbank loans of ₩965,458 million and call loans of ₩1,904,452 million, which were classified as normal, are excluded from the loan balances in the above table, while suspense payments of ₩687 million are included. Deferred loan origination fees of ₩(-)208,126 million and changes in fair values of loans in foreign currencies of ₩240,423 million are not included.

(Continued)

		2011		
		Balance (*)	Allowance	Provision ratio (%)
Loans in local currency	Normal	₩ 8,560,491	₩ 132,711	1.55
	Precautionary	1,775,052	535,146	30.15
	Substandard	109,091	47,509	43.55
	Doubtful	36,682	34,766	94.78
	Estimated loss	46,723	46,723	100.00
		10,528,039	796,855	7.57
Loans in foreign currencies	Normal	33,348,449	821,990	2.46
	Precautionary	52,777	9,329	17.68
	Substandard	95,042	41,391	43.55
	Doubtful	13,917	13,199	94.84
	Estimated loss	123,596	123,596	100.00
		33,633,781	1,009,505	3.00
Other	Normal	2,034,709	83,648	4.11
	Precautionary	34,406	8,200	23.83
	Substandard	-	-	-
	Doubtful	44,786	42,390	94.65
	Estimated loss	30,327	30,327	100.00
		2,144,228	164,565	7.67
		₩ 46,306,048	₩ 1,970,925	4.26

(\*) The loan balances in the above table do not include the present-value discounts. Interbank loans of ₩113,315 million and call loans of ₩1,539,861 million, which were classified as normal, are excluded from the loan balances in the above table, while suspense payments of ₩682 million are included. Deferred loan origination fees of ₩(-)173,290 million and changes in fair values of loans in foreign currencies of ₩303,575 million are not included.

(2) Changes in allowances for possible loan losses for the years ended December 31, 2012 and 2011 are as follows (Korean won in millions):

	2012	2011
Beginning balance	₩ 1,970,925	₩ 1,481,962
Allowances for possible loan losses (*)	255,821	502,544
Write-off	(-)177,061	(-)19,845
Decrease in present-value discounts	(-)6,697	(-)5,654
Changes in exchange rates and others	(-)71,760	11,918
Ending balance	₩ 1,971,228	₩ 1,970,925

(\*) Allowances for possible loan losses in the above table include an amortization of the present-value discounts.

(3) The ratio of allowances to loans for the years ended December 31, 2012, 2011 and 2010 is as follows (Korean won in millions):

	2012.12.31	2011.12.31	2010.12.31
Loans subject to allowances for possible loan losses	₩ 44,928,912	₩ 46,306,048	₩ 39,590,015
Allowances for possible loan losses (*)	₩ 1,948,143	₩ 1,941,598	₩ 1,447,540
Ratio (%)	4.34	4.19	3.66

(\*) Allowances for possible loan losses exclude the present-value discounts.



## 7. TANGIBLE ASSETS:

(1) Tangible assets and the related accumulated depreciation as of December 31, 2012 and 2011 are as follows (Korean won in millions):

	2012			2011		
	Acquisition cost	Accumulated depreciation	Book value	Acquisition cost	Accumulated depreciation	Book value
Land	₩ 4,484	₩ -	₩ 4,484	₩ 4,484	₩ -	₩ 4,484
Buildings	44,741	(-)21,604	23,137	45,208	(-)20,288	24,920
Vehicles	2,723	(-)2,037	686	2,743	(-)1,927	816
Equipment	18,965	(-)15,871	3,094	17,647	(-)14,685	2,962
Construction in progress	10,699	-	10,699	-	-	-
	₩ 81,612	₩ (-)39,512	₩ 42,100	₩ 70,082	₩ (-)36,900	₩ 33,182

(2) The officially declared value of land at December 31, 2012 and 2011, as announced by the Ministry of Land, Transport and Maritime Affairs of Korea, was ₩104,756 million and ₩103,924 million, respectively. The officially declared value, which is used for government purposes, is not intended to represent fair value.

(3) Changes in book value of tangible assets for the years ended December 31, 2012 and 2011 are as follows (Korean won in millions):

	2012				
	Beginning balance	Acquisitions	Disposals	Depreciation	Ending balance
Land	₩ 4,484	₩ -	₩ -	₩ -	₩ 4,484
Buildings	24,920	-	(-)275	(-)1,508	23,137
Vehicles	816	438	(-)23	(-)545	686
Equipment	2,962	1,795	(-)11	(-)1,652	3,094
Construction in progress	-	10,699	-	-	10,699
	₩ 33,182	₩ 12,932	₩ (-)309	₩ (-)3,705	₩ 42,100

	2011				
	Beginning balance	Acquisitions	Disposals	Depreciation	Ending balance
Land	₩ 4,484	₩ -	₩ -	₩ -	₩ 4,484
Buildings	25,818	597	-	(-)1,495	24,920
Vehicles	714	560	(-)1	(-)457	816
Equipment	2,477	1,901	(-)4	(-)1,412	2,962
	₩ 33,493	₩ 3,058	₩ (-)5	₩ (-)3,364	₩ 33,182

(4) Insured assets as of December 31, 2012 and 2011 are as follows (Korean won in millions):

	Insurance company	2012		2011	
		Book value	Insured amount	Book value	Insured amount
Buildings	Samsung Insurance Co., Ltd. and others	₩ 23,138	₩ 20,714	₩ 24,920	₩ 21,498
Equipment	Meritz Fire Co., Ltd. and others	3,094	2,572	2,962	1,930
		₩ 26,232	₩ 23,286	₩ 27,882	₩ 23,428

In addition to the above, the Bank carries a commercial liability package and gas liability insurance with a maximum coverage of ₩80 million per accidental death and ₩300 million per accidental property damage. All vehicles are covered by comprehensive auto insurance.

## 8. OTHER ASSETS:

(1) Details of other assets as of December 31, 2012 and 2011 are as follows (Korean won in millions):

	2012	2011
Security deposits	₩ 33,691	₩ 26,484
Accounts receivable	749	44,557
Accrued income	540,891	408,830
Prepaid expense	2,119	113,184
Deferred income tax assets (Note 19)	537,919	511,907
Derivative assets (Note 16)	918,298	1,199,017
Intangible assets	9,689	6,576
Sundry assets:		
Other loans	7,272	7,383
Other suspense payments	2,506	964
Suspense payments on credit	686	682
Membership certificates	5,582	6,091
Others	10	10
	₩ 2,059,412	₩ 2,325,685

(2) Changes in intangible assets for the years ended December 31, 2012, and 2011 are as follows (Korean won in millions):

	2012	2011
Beginning balance	₩ 6,576	₩ 3,675
Increase	4,710	4,201
Amortization	(-)1,597	(-)1,300
Ending balance	₩ 9,689	₩ 6,576

## 9. BORROWINGS:

(1) Details of borrowings as of December 31, 2012 and 2011 are as follows (Korean won in millions):

	2012	2011
Call money	₩ -	₩ 67,940
Borrowings in foreign currencies	2,757,017	5,284,238
Debentures	40,020,320	39,203,568
	₩ 42,777,337	₩ 44,555,746

(2) Details of call money and borrowings in foreign currencies as of December 31, 2012 and 2011 are as follows (Korean won in millions):

	Interest rate (%)	2012	2011
Call money:			
Local currency	-	₩ -	₩ 20,000
Foreign currencies	-	-	47,940
		-	67,940
Borrowings in foreign currencies:			
Borrowings from banks	Three-month LIBOR and others	1,604,141	2,802,534
Commercial papers	0.24-1.19	755,875	2,081,114
Offshore commercial papers	-	-	22,161
Other borrowings (*)	0.71-3.59	397,001	378,429
		2,757,017	5,284,238
		₩ 2,757,017	₩ 5,352,178

(\*) As of December 31, 2012 and 2011, the Bank has provided collaterals amounting to ₩190,035 million and ₩122,088 million, respectively, from Deutsche Bank and others as credit support annex for derivative transactions.

(3) Details of debentures as of December 31, 2012 and 2011 are as follows (Korean won in millions):

	Interest rate (%)	2012	2011
Local currency:			
Floating-rate debentures in local currency	-	₩ -	₩ 300,000
Fixed-rate debentures in local currency	2.69-5.27	7,330,000	7,230,000
Discount on debentures		(-)13,304	(-)75,332
		₩ 7,316,696	₩ 7,454,668
Foreign currencies:			
Floating-rate debentures in foreign currencies	Three-month LIBOR plus 0.95 and others	₩ 2,344,844	₩ 654,311
Fixed-rate debentures in foreign currencies	0.50-14.00	29,973,369	30,808,522
		32,318,213	31,462,833
Gain on valuation of fair value hedged items, net		655,542	582,789
		32,973,755	32,045,622
Discounts on debentures, net		(-)270,131	(-)296,722
		₩ 32,703,624	₩ 31,748,900

(4) Call money and borrowings in foreign currencies from financial institution as of December 31, 2012 and December 31, 2011, are as follows (Korean won in millions):

	2012			2011		
	Call money	Borrowings in foreign currencies	Total	Call money	Borrowings in foreign currencies	Total
Banks	₩ -	₩ 2,724,884	₩ 2,724,884	₩ -	₩ 4,910,904	₩ 4,910,904
Others	-	32,133	32,133	67,940	373,334	441,274
	₩ -	₩ 2,757,017	₩ 2,757,017	₩ 67,940	₩ 5,284,238	₩ 5,352,178

(5) The maturity of borrowings and debentures as of December 31, 2012 and 2011 are as follows (Korean won in millions):

	2012					
	Due in 3 months or less	Due after 3 months to 6 months	Due after 6 months to 1 year	Due after 1 year to 3 years	Due after 3 years	Total
Borrowings:						
Call money	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -
Borrowings in foreign currencies	812,222	320,412	517,804	1,106,579	-	2,757,017
	₩ 812,222	₩ 320,412	₩ 517,804	₩ 1,106,579	₩ -	₩ 2,757,017
Debentures:						
Debentures in local currency	₩ 1,970,000	₩ 1,390,000	₩ 1,650,000	₩ 1,700,000	₩ 620,000	₩ 7,330,000
Debentures in foreign currencies	2,105,511	1,438,741	2,936,329	13,983,136	11,854,496	32,318,213
	₩ 4,075,511	₩ 2,828,741	₩ 4,586,329	₩ 15,683,136	₩ 12,474,496	₩ 39,648,213

	2011					
	Due in 3 months or less	Due after 3 months to 6 months	Due after 6 months to 1 year	Due after 1 year to 3 years	Due after 3 years	Total
Borrowings:						
Call money	₩ 67,940	₩ -	₩ -	₩ -	₩ -	₩ 67,940
Borrowings in foreign currencies	2,088,747	992,129	917,411	1,285,951	-	5,284,238
	₩ 2,156,687	₩ 992,129	₩ 917,411	₩ 1,285,951	₩ -	₩ 5,352,178
Debentures:						
Debentures in local currency	₩ 530,000	₩ 1,680,000	₩ 2,790,000	₩ 1,830,000	₩ 700,000	₩ 7,530,000
Debentures in foreign currencies	2,047,391	1,697,622	4,106,681	9,556,163	14,054,976	31,462,833
	₩ 2,577,391	₩ 3,377,622	₩ 6,896,681	₩ 11,386,163	₩ 14,754,976	₩ 38,992,833

## 10. OTHER LIABILITIES:

Details of other liabilities as of December 31, 2012 and 2011 are as follows (Korean won in millions):

	2012	2011
Accrued severance benefits (Note 13)	₩ 3,377	₩ 30,019
Allowances for possible losses on acceptances and guarantees (Note 11)	870,043	773,833
Allowance for possible losses on loan commitments (Note 11)	146,368	100,006
Allowance for others (Note 12)	6,250	48,625
Foreign exchange settlement account - credit	63,794	95,418
Accounts payable	82,288	100,184
Accrued expenses	543,952	498,604
Unearned revenue	341,570	320,819
Guarantees deposits received	108	1,112
Derivative liabilities (Note 16)	1,176,659	992,552
Sundry liabilities	10,810	107,125
	₩ 3,245,219	₩ 3,068,297

## 11. ACCEPTANCES, GUARANTEES AND LOAN COMMITMENTS:

(1) Details of acceptances and guarantees as of December 31, 2012 and 2011 are as follows (Korean won in millions):

	2012	2011
Confirmed acceptances and guarantees:		
Local currency:		
Guarantees for performance of contracts	₩ 101,036	₩ 122,863
Guarantees for repayment of advances	148,618	143,035
Others	133,017	155,133
	382,671	421,031
Foreign currencies:		
Guarantees for performance of contracts	10,706,084	9,827,922
Guarantees for repayment of advances	20,631,991	26,593,100
Acceptances on import credit memorandum	156,010	135,943
Guarantees for foreign liabilities	2,947,526	2,137,294
Others	4,555,613	3,354,485
	38,997,224	42,048,744
	₩ 39,379,895	₩ 42,469,775
Unconfirmed acceptances and guarantees:		
Letters of credit	₩ 100,589	₩ 135,467
Guarantees for foreign liabilities	1,837,670	1,322,499
Guarantees for repayment of advances	11,304,747	17,349,898
Others	298,258	165,595
	₩ 13,541,264	₩ 18,973,459



(2) As of December 31, 2012 and 2011, details of allowances for possible losses on acceptances and guarantees outstanding are as follows (Korean won in millions):

	2012			2011		
	Acceptances and guarantees	Allowance (*)	Ratio (%)	Acceptances and guarantees	Allowance (*)	Ratio (%)
Confirmed acceptances and guarantees:						
Normal	₩ 37,165,627	₩ 357,240	0.96	₩ 39,878,168	₩ 387,234	0.97
Precautionary	2,093,650	339,993	16.24	2,510,337	231,628	9.23
Substandard	26,753	11,651	43.55	29,543	12,862	43.54
Doubtful	56,947	26,995	47.40	36	17	47.22
Estimated loss	36,918	32,482	87.98	51,691	51,632	99.89
	39,379,895	768,361	1.95	42,469,775	683,373	1.61
Unconfirmed acceptances and guarantees:						
Normal	12,727,924	40,828	0.32	17,468,685	33,132	0.19
Precautionary	812,869	60,720	7.47	1,499,763	56,886	3.79
Substandard	53	8	15.09	4,991	438	8.78
Doubtful	418	126	30.14	-	-	-
Estimated loss	-	-	-	20	4	20.00
	13,541,264	101,682	0.75	18,973,459	90,460	0.48
	₩ 52,921,159	₩ 870,043	1.64	₩ 61,443,234	₩ 773,833	1.26

(\*) The Bank estimated allowances for possible losses on acceptances and guarantees considering the credit conversion factor by Financial Services Commission by applying the same methodology that was used to determine the allowances for possible loan losses.

(3) Changes in allowances for possible losses on acceptances and guarantees for the years ended December 31, 2012 and 2011 are as follows (Korean won in millions):

	2012	2011
Beginning balance	₩ 773,833	₩ 874,080
Allowances (reversal of allowances) for possible losses on acceptances and guarantees	146,596	(-)108,071
Changes in foreign exchange rates and others	(-)50,386	7,824
Ending balance	₩ 870,043	₩ 773,833

(4) Acceptances and guarantees classified by industry as of December 31, 2012 and 2011 are as follows (Korean won in millions):

2012						
	Confirmed		Unconfirmed		Total	
	Acceptances and guarantees	Ratio (%)	Acceptances and guarantees	Ratio (%)	Acceptances and guarantees	Ratio (%)
Manufacturing	₩ 19,553,282	49.66	₩ 11,346,795	83.79	₩ 30,900,077	58.40
Construction	11,850,558	30.09	723,239	5.34	12,573,797	23.76
Service	3,534,054	8.97	45,934	0.34	3,579,988	6.76
Finance and insurance	1,490,848	3.79	103,351	0.76	1,594,199	3.01
Wholesale and retail	852,498	2.16	31,917	0.24	884,415	1.67
Others	2,098,655	5.33	1,290,028	9.53	3,388,683	6.40
	₩ 39,379,895	100.00	₩ 13,541,264	100.00	₩ 52,921,159	100.00

2011						
	Confirmed		Unconfirmed		Total	
	Acceptances and guarantees	Ratio (%)	Acceptances and guarantees	Ratio (%)	Acceptances and guarantees	Ratio (%)
Manufacturing	₩ 26,314,289	61.96	₩ 17,099,226	90.12	₩ 43,413,515	70.66
Construction	9,141,779	21.53	852,641	4.50	9,994,420	16.27
Service	3,090,900	7.28	76,284	0.40	3,167,184	5.14
Finance and insurance	1,108,314	2.61	142,554	0.75	1,250,868	2.04
Wholesale and retail	931,874	2.19	7,322	0.04	939,196	1.53
Others	1,882,619	4.43	795,432	4.19	2,678,051	4.36
	₩ 42,469,775	100.00	₩ 18,973,459	100.00	₩ 61,443,234	100.00

(5) Acceptances and guarantees classified by risk-possessive country as of December 31, 2012 and 2011 are as follows (Korean won in millions):

	2012					
	Confirmed		Unconfirmed		Total	
	Acceptances and guarantees	Ratio (%)	Acceptances and guarantees	Ratio (%)	Acceptances and guarantees	Ratio (%)
Asia:						
Korea	₩ 36,350,183	92.31	₩ 11,815,118	87.25	₩ 48,165,301	91.01
India	288,093	0.73	43,725	0.32	331,818	0.63
Saudi Arabia	318,269	0.81	481,832	3.56	800,101	1.51
Vietnam	71,047	0.18	229,908	1.70	300,955	0.57
Singapore	118,735	0.30	179,031	1.32	297,766	0.56
Indonesia	205,745	0.52	141,272	1.04	347,017	0.66
Yemen	122,181	0.31	-	-	122,181	0.23
Oman	136,565	0.35	-	-	136,565	0.26
Others	453,801	1.15	292,739	2.16	746,540	1.41
	38,064,619	96.66	13,183,625	97.35	51,248,244	96.84
Europe:						
France	150,508	0.38	62,381	0.46	212,889	0.40
Russia	24,546	0.06	-	-	24,546	0.05
England	163,169	0.42	-	-	163,169	0.31
Greece	-	-	83,286	0.62	83,286	0.15
Others	3,243	0.01	-	-	3,243	0.01
	341,466	0.87	145,667	1.08	487,133	0.92
America:						
Mexico	301,589	0.77	40,881	0.30	342,470	0.65
Peru	123,942	0.31	-	-	123,942	0.23
Canada	64,678	0.16	2,393	0.02	67,071	0.13
Others	250,637	0.64	-	-	250,637	0.47
	740,846	1.88	43,274	0.32	784,120	1.48
Africa:						
Madagascar	208,864	0.53	-	-	208,864	0.40
Egypt	24,100	0.06	168,698	1.25	192,798	0.36
	232,964	0.59	168,698	1.25	401,662	0.76
	₩ 39,379,895	100.00	₩ 13,541,264	100.00	₩ 52,921,159	100.00

Risk-possessive country means the country where an entity burdened with substantial risk belongs to.

2011						
	Confirmed		Unconfirmed		Total	
	Acceptances and guarantees	Ratio (%)	Acceptances and guarantees	Ratio (%)	Acceptances and guarantees	Ratio (%)
Asia:						
Korea	₩ 40,120,588	94.47	₩ 17,517,972	92.33	₩ 57,638,560	93.81
India	334,515	0.79	47,080	0.25	381,595	0.62
Saudi Arabia	150,134	0.35	133,576	0.70	283,710	0.46
Yemen	158,177	0.37	-	-	158,177	0.26
Jordan	104,676	0.25	5,234	0.03	109,910	0.18
Indonesia	88,741	0.21	21,053	0.11	109,794	0.18
Japan	102,441	0.24	-	-	102,441	0.17
Hong Kong	69,198	0.16	-	-	69,198	0.11
Others	322,717	0.76	717,030	3.78	1,039,747	1.69
	41,451,187	97.60	18,441,945	97.20	59,893,132	97.48
Europe:						
France	175,783	0.41	67,168	0.36	242,951	0.39
Russia	-	-	135,321	0.71	135,321	0.22
England	105,785	0.25	-	-	105,785	0.17
Greece	28,833	0.07	-	-	28,833	0.05
Others	3,492	0.01	-	-	3,492	0.01
	313,893	0.74	202,489	1.07	516,382	0.84
America:						
Mexico	282,994	0.67	96,759	0.51	379,753	0.62
Peru	144,574	0.34	-	-	144,574	0.23
Canada	52,234	0.12	24,671	0.13	76,905	0.13
	479,802	1.13	121,430	0.64	601,232	0.98
Africa:						
Madagascar	224,893	0.53	-	-	224,893	0.36
Egypt	-	-	207,595	1.09	207,595	0.34
	224,893	0.53	207,595	1.09	432,488	0.70
	₩ 42,469,775	100.00	₩ 18,973,459	100.00	₩ 61,443,234	100.00

(6) The ratio of allowances for possible losses on acceptances and guarantees for the years ended December 31, 2012, 2011 and 2010 are as follows (Korean won in millions):

	2012.12.31	2011.12.31	2010.12.31
Acceptances and guarantees subject to allowances	₩ 52,921,159	₩ 61,443,234	₩ 68,148,429
Allowances	₩ 870,043	₩ 773,833	₩ 874,080
Ratio (%)	1.64	1.26	1.28

(7) Details of allowances for possible losses on loan commitment as of December 31, 2012 and 2011 are as follows (Korean won in millions):

	2012		2011	
Unused line of credit for loan commitments	₩	28,558,030	₩	15,765,343
Allowances (*)	₩	146,368	₩	100,006
Ratio (%)		0.51		0.63

(\*) The Bank estimated allowances for possible losses on loan commitment considering the credit conversion factor by Financial Services Commission by applying the same methodology that was used to determine the allowances for possible loan losses.

(8) Changes in allowances for losses on unused loan commitments for the years ended December 31, 2012 and 2011 are as follows (Korean won in millions):

	2012		2011	
Beginning balance	₩	100,006	₩	69,055
Provision for possible losses on loan commitment		51,532		30,341
Changes in foreign exchange rates and others		(-)5,170		610
Ending balance	₩	146,368	₩	100,006

## 12. ALLOWANCES FOR OTHERS:

Changes in allowances for others for the years ended December 31, 2012 and 2011 are as follows (Korean won in millions):

	2012		2011	
Beginning balance	₩	48,625	₩	46,582
Allowances (reversal of allowances) for others		(-)42,111		4,134
Payment		(-)264		(-)2,091
Ending balance	₩	6,250	₩	48,625

## 13. ACCRUED SEVERANCE BENEFITS:

Changes in accrued severance benefits for the years ended December 31, 2012 and 2011 are as follows (Korean won in millions):

	2012				
	Beginning balance	Provision	Payment	Ending balance	
Accrued severance benefits	₩ 30,019	₩ 6,828	₩ (-)5,146	₩ 31,701	
Retirement pension plan assets (*)	-	(-)28,324	-	(-)28,324	
	₩ 30,019	₩ (-)21,496	₩ (-)5,146	₩ 3,377	

	2011				
	Beginning balance	Provision	Payment	Ending balance	
Accrued severance benefits	₩ 25,302	₩ 7,116	₩ (-)2,399	₩ 30,019	
Retirement pension plan assets (*)	-	-	-	-	
	₩ 25,302	₩ 7,116	₩ (-)2,399	₩ 30,019	

(\*) The Bank has funded its retirement pension plan to Shinhan bank and others since 2012.



## 14. SHAREHOLDERS' EQUITY:

### (1) Capital Stock

As of December 31, 2012, the authorized capital and paid-in capital of the Bank are ₩8,000,000 million and ₩7,138,055 million, respectively. The Bank's capital has increased by ₩879,300 million due to the Government's contributions with the Korea Expressway Corp. and Korea Finance Corporation's shares for the year ended December 31, 2012. The Bank does not issue share certificates.

### (2) Retained Earnings

- 1) Legal Reserve** Pursuant to the EXIM Bank Act, the Bank appropriates 10% of net earnings for each accounting period as legal reserve, until the accumulated reserve equals to its paid-in capital.
- 2) Voluntary Reserve** The Bank appropriates the remaining balance of net earnings, after the appropriation of legal reserve and declaration of dividends, to voluntary reserve.

## 15. COMMITMENTS AND CONTINGENCIES:

(1) Details of acceptances, guarantees and other commitments as of December 31, 2012 and 2011 are as follows (Korean won in millions):

	2012		2011	
Confirmed acceptances and guarantees	₩	39,379,895	₩	42,469,775
Unconfirmed acceptances and guarantees		13,541,264		18,973,459
Unused loan commitments		28,273,373		15,301,081
Other commitments		284,657		464,262
	₩	81,479,189	₩	77,208,577

### (2) Litigations

As of December 31, 2012, eight lawsuits (litigation value: ₩76,423 million) were filed by the Bank and six pending litigation as a defendant were filed (litigation value: ₩118,821 million). The Bank's management is unable to estimate the impact of these lawsuits, as such the Bank's financial position and results of operation do not include the potential impact from these lawsuits.

### (3) Global Medium-Term Note Program ("GMTN") and Commercial Paper ("CP") programs

The Bank has been establishing the following programs regarding the issue of foreign currency bonds and CPs:

- 1) Established on August 1, 1991, initially, and annually renewed, U.S. Shelf Registration to issue foreign bonds under the Securities and Exchange Commission rule of the United States of America with an issuance limit of USD 30 billion;
- 2) Established on May 14, 1997 and May 16, 1997, initially, and annually renewed, CP program to issue CPs with issuance limits of USD 4 billion and USD 2 billion, respectively;
- 3) Established on November 6, 1997, initially, and annually renewed, Euro Medium-Term Note Program to issue mid-to-long-term foreign currency bonds with an issuance limit of USD 15 billion;
- 4) Established on February 13, 2008, initially, and annually renewed, MYR MTN program to issue Malaysian Ringgit-denoted bonds of MYR 4 billion;

- 5) Established on June 20, 2008, initially, and annually renewed, Yen Shelf Registration to issue Samurai bond with an issuance limit of USD 3 billion;
- 6) Established on May 31, 2010, Australian Domestic Debt Issuance Program to issue Kangaroo bond with limit of AUD 2 billion; and
- 7) Established on January 17, 2011, Uridashi Shelf Registration to issue Uridashi bond with an issuance limit of USD 5 billion.

(4) Written-off loans

The Bank manages written-off loans that have claims on debtors due to the limitation of statute, uncollected after write-off, etc. The written-off loans as of December 31, 2012 and 2011 are ₩479,444 million and ₩341,522 million, respectively.

## 16. DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING:

(1) Details of derivative instruments as of December 31, 2012 and 2011 are as follows (Korean won in millions):

	2012	2011
Derivative assets:		
Currency forwards	₩ 7,736	₩ 2,833
Currency swaps	419,893	787,705
Interest rate swaps	490,669	408,479
	₩ 918,298	₩ 1,199,017
Derivative liabilities:		
Currency forwards	₩ 12,314	₩ 12,549
Currency swaps	861,192	614,220
Interest rate swaps	303,153	365,783
	₩ 1,176,659	₩ 992,552

The Bank holds derivative instruments to hedge changes of fair value and cash flows derived from the interest rate and foreign exchange risks in its loans, debentures and borrowing activities. The Bank use interest rate swaps and currency swaps as hedging instruments.

(2) Details of unsettled notional amounts as of December 31, 2012 and 2011 are as follows (Korean won in millions):

	Unsettled notional amount as of December 31, 2012 (*)			Unsettled notional amount as of December 31, 2011 (*)		
	Total	Trading	Hedging	Total	Trading	Hedging
Currency forwards	₩ 1,015,246	₩ 1,015,246	₩ -	₩ 841,586	₩ 841,586	₩ -
Currency swaps	14,361,132	2,038,982	12,322,150	14,087,839	1,780,047	12,307,792
Interest rate swaps	14,503,160	921,221	13,581,939	12,100,233	578,515	11,521,718
	₩ 29,879,538	₩ 3,975,449	₩ 26,904,089	₩ 27,029,658	₩ 3,200,148	₩ 23,829,510

(\*) For transactions between local currencies and foreign currencies, the unsettled notional amount of transaction is presented using the basic foreign exchange rate on the contract amount in foreign currencies. For transactions between foreign currencies and other foreign currencies, the unsettled notional amount is presented using the basic foreign exchange rate on the contract amount in foreign currencies purchased.

(3) Details of valuation of derivatives for the years ended December 31, 2012 and 2011 are as follows (Korean won in millions):

2012							
	Gain on valuation of derivatives (I/S)			Loss on valuation of derivatives (I/S)			Accumulated gain and loss on valuation of derivatives B/S (*)
	Total	Trading	Hedging	Total	Trading	Hedging	
Currency forwards	₩ 7,736	₩ 7,736	₩ -	₩ 12,314	₩ 12,314	₩ -	₩ -
Currency swaps	287,609	41,477	246,132	609,408	120,665	488,743	-
Interest rate swaps	231,606	12,354	219,252	75,897	2,609	73,288	(-)3,210
	₩ 526,951	₩ 61,567	₩ 465,384	₩ 697,619	₩ 135,588	₩ 562,031	₩ (-)3,210

2011							
	Gain on valuation of derivatives (I/S)			Loss on valuation of derivatives (I/S)			Accumulated gain and loss on valuation of derivatives B/S (*)
	Total	Trading	Hedging	Total	Trading	Hedging	
Currency forwards	₩ 2,833	₩ 2,833	₩ -	₩ 12,549	₩ 12,549	₩ -	₩ -
Currency swaps	209,792	38,839	170,953	450,494	68,533	381,961	-
Interest rate swaps	274,441	753	273,688	89,574	15,133	74,441	-
	₩ 487,066	₩ 42,425	₩ 444,641	₩ 552,617	₩ 96,215	₩ 456,402	₩ -

(\*) The amounts of accumulated gains and losses on valuation of derivatives are after reflection of income tax effect directly in shareholders' equity.

#### (4) Hedge accounting

Hedged items, for fair value and cash flow hedge accounting purpose, consist of loans, debentures, and borrowings. Gains and losses on valuation of fair value hedged items for the years ended December 31, 2012 and 2011 are as follows (Korean won in millions):

	2012	2011
Gains on valuation of fair value hedged items	₩ 220,577	₩ 242,799
Losses on valuation of fair value hedged items	348,223	434,483

Fair value hedge ineffectiveness of ₩30,399 million was recognized in earnings for the year ended December 31, 2012.

The Bank discontinued the hedge accounting for a portion of fair value hedge in interest rate swaps and currency swaps and recognized ₩(-)10,387 million and ₩2,978 million from valuation on fair value hedged items in earnings for the year ended December 31, 2012.

The Bank expects to be exposed to cash flow fluctuation risk derived from derivatives contract applying cash flow hedge accounting as of December 31, 2012, until June 1, 2016. The Bank recognized ₩3,210 million as accumulated other comprehensive income, adjusting tax effect amounting ₩1,025 million. The Bank expects that the portion of gains and losses on valuation of derivatives in accumulated other comprehensive income amounting to ₩1,273 million (adjusting tax effect) will be realized due to settlement of derivatives in a year from January 1, 2013. Related to cash flow hedge ineffectiveness, ₩(-)259 million was recognized in earnings for the year ended December 31, 2012.

## 17. INTEREST INCOME AND EXPENSE:

Average balances of the interest-bearing assets and the interest-bearing liabilities, and the related interest income and expenses as of and for the years ended December 31, 2012 and 2011, are as follows (Korean won in millions):

	2012		2011	
	Average balance	Interest income/expense	Average balance	Interest income/expense
Interest-bearing assets:				
Due from banks	₩ 3,347,280	₩ 56,332	₩ 1,305,558	₩ 30,577
Available-for-sale securities	6,790	1,577	18,356	2,181
Loans	48,553,786	1,713,002	41,653,612	1,371,175
	₩ 51,907,856	₩ 1,770,911	₩ 42,977,526	₩ 1,403,933
Interest-bearing liabilities:				
Call money	₩ 128,576	₩ 3,957	₩ 499,557	₩ 9,587
Borrowings	3,675,285	48,126	3,830,467	46,944
Debentures	43,230,808	1,376,640	34,613,674	1,017,825
	₩ 47,034,669	₩ 1,428,723	₩ 38,943,698	₩ 1,074,356

## 18. GENERAL AND ADMINISTRATIVE EXPENSE:

Details of general and administrative expense for the years ended December 31, 2012 and 2011 are as follows (Korean won in millions):

	2012	2011
Financial management expenses:		
Salaries and wages	₩ 74,142	₩ 67,775
Others	43,614	37,527
	117,756	105,302
Fund management expenses	1,362	1,174
Other general and administrative expenses:		
Accrued severance benefits	6,828	7,116
Special retirement	-	3,855
Depreciation	3,705	3,364
Amortization of intangible assets	1,597	1,300
Taxes and dues	29,780	20,175
	41,910	35,810
	₩ 161,028	₩ 142,286

## 19. INCOME TAXES:

(1) The components of income tax expense for the years ended December 31, 2012 and 2011 are as follows (Korean won in millions):

	2012	2011
Income tax	₩ 81,880	₩ 147,552
Changes in deferred tax arising from temporary differences (*)	(-)26,012	(-)210,190
Deferred tax effects directly charged to equity	(-)17,806	69,962
Income tax expense	₩ 38,062	₩ 7,324

(\*) Changes in deferred income taxes due to temporary differences for the years ended December 31, 2012 and 2011 are as follows (Korean won in millions):

	2012	2011
Changes in deferred income taxes due to temporary differences:		
End of year	₩ 537,919	₩ 511,907
Beginning of year	511,907	301,717
	₩ 26,012	₩ 210,190

(2) The income tax expense calculated by applying statutory tax rates to the Bank's income before income taxes is reconciled to the actual tax expense in the non-consolidated statements of income for the years ended December 31, 2012 and 2011, for the following:

	2012	2011
Income before income taxes	₩ 187,001	₩ 154,126
Income taxes at statutory tax rates (*)	44,792	37,272
Adjustment:		
Tax-exempt benefits	(-)198	(-)6,479
Non-deduction expense	305	1,352
Tax credit	(-)303	-
Tax effects on unrecognized deferred income tax assets	-	1,720
Tax effects of tax rate change	-	(-)25,997
Others	(-)6,534	(-)544
Income tax expense	₩ 38,062	₩ 7,324
Effective tax rate (%)	20.35	4.75

(\*) Income tax rate is 11% below 0.2 billion won, 22% from 0.2 billion won to 20 billion won and 24.2% above 20 billion won, for the years ended December 31, 2012 and 2011.



(3) Changes in accumulated temporary differences and tax effects for the years ended December 31, 2012, and 2011, are as follows (Korean won in millions):

2012					
	Beginning balance	Decrease (*1)	Increase (*1)	Ending balance	
Temporary differences:					
Gain or loss from fair value hedges	₩ 279,214	₩ 279,214	₩ 415,119	₩ 415,119	
Depreciation	4,381	11	951	5,321	
Accrued severance benefits	24,700	(-)1	3,164	27,865	
Allowances for possible loan losses	1,016,063	1,016,063	1,042,658	1,042,658	
Gain on valuation of securities using equity method	(-)53,511	(-)11	(-)14,928	(-)68,428	
Losses on valuation of derivatives	124,895	124,895	(-)439,546	(-)439,546	
Gains on valuation of derivatives	(-)206,465	(-)206,465	258,361	258,361	
Available-for-sale securities (KEB)	(-)118,985	(-)118,985	-	-	
Debt-to-equity swap	56,186	-	4,337	60,523	
Allowances for possible losses on acceptances and guarantees	773,833	773,833	870,043	870,043	
Allowance for possible losses on loan commitments	100,006	100,006	146,368	146,368	
Others	63,479	43,935	(-)96,957	(-)77,413	
Total temporary differences	₩ 2,063,796	₩ 2,012,495	₩ 2,189,570	₩ 2,240,871	
Tax effects of temporary differences				₩ 541,536	
The deferred tax effects that were directly charged to equity				(-)3,617	
Deferred income tax assets				₩ 537,919	

(Continued)

## 2011

	Beginning balance	Decrease (*1)	Increase (*1)	Ending balance
Temporary differences:				
Gain or loss from fair value hedges	₩ 91,494	₩ 91,494	₩ 279,214	₩ 279,214
Depreciation	4,493	1,010	898	4,381
Accrued severance benefits	20,891	133	3,942	24,700
Allowances for possible loan losses	656,428	656,428	1,016,063	1,016,063
Gain on valuation of securities using the equity method	(-)40,279	-	(-)13,232	(-)53,511
Loss on valuation of derivatives	401,077	401,077	124,895	124,895
Gain on valuation of derivatives	(-)456,013	(-)456,013	(-)206,465	(-)206,465
Available-for-sale securities (KEB)	(-)118,985	-	-	(-)118,985
Debt-to-equity swap	52,888	-	3,298	56,186
Allowance for possible losses on acceptances and guarantees	874,080	874,080	773,833	773,833
Allowance for possible losses on loan commitment	69,055	69,055	100,006	100,006
Others	29,527	13,549	47,501	63,479
Total temporary differences	₩ 1,584,656	₩ 1,650,813	₩ 2,129,953	₩ 2,063,796
Tax effects of temporary differences				₩ 497,718
The deferred tax effects that were directly charged to equity (*3)				14,189
Deferred income tax assets (*2,3)				₩ 511,907

(\*1) True-up adjustment related to actual tax return of prior periods is reflecting to the changes of the current year.

(\*2) The deferred income tax assets are realizable because taxable income of the Bank in future years will exceed the deductible temporary differences.

(\*3) Deferred income assets and liabilities are calculated based on the expected tax rate to be applied at the reversal period of the related assets or liabilities.

(4) Deductible temporary differences not recognized as deferred income tax assets as of December 31, 2012 and 2011, are as follows (Korean won in millions):

	2012	2011	Total
Impairment loss of available-for-sale securities	₩ 3,122	₩ 7,113	Realizable period has already passed.

(5) Deferred tax assets and liabilities that were directly charged or credited to accumulated other comprehensive income as of December 31, 2012 and December 31, 2011, are as follows (Korean won in millions):

	2012		2011	
	Temporary differences	Deferred tax assets (liabilities)	Temporary differences	Deferred tax assets (liabilities)
Gains (losses) on change in value of available-for-sale securities	₩ 81,676	₩ (-)18,323	₩ (-)318,605	₩ 70,093
Gains on change in value of securities using equity method	2,000	(-)508	594	(-)131
Losses on change in value of cash flow hedging derivatives	(-)4,235	1,025	-	-
	₩ 79,441	₩ (-)17,806	₩ (-)31 8,011	₩ 69,962

(6) Balances of current tax assets and current tax liabilities as of December 31, 2012 and 2011 are as follows (Korean won in millions):

	2012		2011	
Current tax assets	₩	9,102	₩	66,123
Current tax liabilities		86,333		148,042
Net current tax liabilities	₩	77,231	₩	81,919

## 20. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY:

(1) Details of assets denominated in foreign currencies as of December 31, 2012 and 2011 are as follows (Korean won in millions and U.S. dollars in thousands):

	2012		2011	
	In foreign currency (USD)	In local currency (Korean won)	In foreign currency (USD)	In local currency (Korean won)
Due from banks	\$ 1,260,704	₩ 1,350,340	\$ 1,497,531	₩ 1,727,102
Available-for-sale securities	27,158	29,089	4,341	5,006
Securities using equity method	223,612	239,511	215,582	248,630
Call loans	1,778,034	1,904,452	1,257,141	1,449,861
Notes bought	-	-	29,832	34,406
Bills bought	1,195,626	1,280,635	1,176,638	1,357,016
Loans (*)	29,868,554	31,992,208	29,261,334	33,747,096
Advance for customers	78,928	84,540	61,026	70,381
	\$ 34,432,616	₩ 36,880,775	\$ 33,503,425	₩ 38,639,498

(\*) The amounts of loans in the above table exclude deferred loan origination fees and changes in fair-value-hedged loans.

(2) Details of liabilities denominated in foreign currencies as of December 31, 2012 and 2011 are as follows (Korean won in millions and U.S. dollars in thousands):

	2012		2011	
	In foreign currency (USD)	In local currency (Korean won)	In foreign currency (USD)	In local currency (Korean won)
Call money	\$ -	₩ -	\$ 41,568	₩ 47,940
Borrowings (*1)	2,580,525	2,764,000	4,588,823	5,292,289
Debentures (*2)	30,172,918	32,318,213	27,280,897	31,462,833
	\$ 32,753,443	₩ 35,082,213	\$ 31,911,288	₩ 36,803,062

(\*1) The amounts of borrowings in the above table exclude present-value discounts.

(\*2) The amounts of debentures in the above table exclude discount (premium) on debentures and changes in fair-value-hedged debentures.

Foreign currencies, other than U.S. dollars, are translated into U.S. dollar equivalent amounts at the exchange rates published by Seoul Money Brokerage Services, Ltd..

## 21. COMPREHENSIVE INCOME:

Comprehensive income for the years ended December 31, 2012 and 2011 are as follows (Korean won in millions):

	2012	2011
Net income	₩ 148,939	₩ 146,802
Change in fair value of available-for-sale securities, net of tax effect of ₩(-)18,323 million in 2012 and ₩70,093 million in 2011	63,353	(-)248,512
Change in capital by securities using equity method, net of tax effect of ₩(-)508 million in 2012 and ₩(-)131 million in 2011	1,492	465
Change in valuation on cash flow hedging derivatives, net of tax effect of ₩1,025 million in 2012	(-)3,210	-
Comprehensive income	₩ 210,574	₩ (-)101,245

## 22. DIVIDENDS:

(1) Details of dividends for the years ended December 31, 2012 and 2011 are as follows (Korean won in millions):

	2012	2011
The Government	₩ 23,149	₩ 21,164
BOK	5,596	6,258
Korea Finance Corporation	5,541	6,195
	₩ 34,286	₩ 33,617

(2) Dividends as a percentage of net income for the years ended December 31, 2012 and 2011 are as follows (Korean won in millions):

	2012	2011
Dividend amount	₩ 34,286	₩ 33,617
Net income	₩ 148,939	₩ 146,802
Dividends as a percentage of net income (%)	23.02	22.90

## 23. TRANSACTIONS AND BALANCES WITH RELATED PARTIES:

(1) The Bank has related parties as of December 31, 2012 and 2011 as follows (Korean won in millions):

	Number of shares	Ownership (%)	Capital	
			2012	2011
Subsidiaries				
KEXIM Bank UK Limited	20,000,000	100.00	₩ 35,545	₩ 35,545
KEXIM Vietnam Leasing Co. (*)	-	100.00	14,993	14,993
PT. KOEXIM Mandiri Finance	442	85.00	6,609	6,609
KEXIM Asia Limited	30,000,000	100.00	34,599	34,599
CGIF (*)	-	14.29	807,310	727,848
KAMCO	44,482,396	25.86	860,000	727,848

(\*) This entity does not issue share certificates.

(2) Significant transactions with the related parties for the years ended December 31, 2012 and 2011 are as follows (Korean won in millions):

		2012		
		Interest income	Interest expenses	Commission income
KEXIM Bank UK Limited	₩	1,972	₩ 286	₩ 71
KEXIM Vietnam Leasing Co.		984	-	4
PT. KOEXIM Mandiri Finance		1,736	-	47
KEXIM Asia Limited		1,267	-	85
	₩	5,959	₩ 286	₩ 207

		2011		
		Interest income	Interest expenses	Commission income
KEXIM Bank UK Limited	₩	2,149	₩ 289	₩ 39
KEXIM Vietnam Leasing Co.		833	-	10
PT. KOEXIM Mandiri Finance		1,470	-	-
KEXIM Asia Limited		1,164	-	83
	₩	5,616	₩ 289	₩ 132

(3) Significant balances with the related parties as of December 31, 2012 and 2011 are as follows (Korean won in millions):

	Receivables				Payables	
	2012	2011	2012	2011	2012	2011
	Loans in foreign currencies		Call loans		Debentures in foreign currencies	
KEXIM Bank UK Limited	432,488	144,162	-	-	5,356	5,767
KEXIM Vietnam Leasing Co.	105,617	90,534	-	-	-	-
PT. KOEXIM Mandiri Finance	219,127	164,922	-	-	-	-
KEXIM Asia Limited	237,743	128,308	8,569	-	-	-
	994,975	527,926	8,569	-	5,356	5,767

## 24. NON-CONSOLIDATED STATEMENTS OF CASH FLOWS:

(1) Due from banks in the non-consolidated statements of cash flows as of December 31, 2012 and 2011 are as follows (Korean won in millions):

	2012	2011
Due from banks in local currency	₩ 783,743	₩ 980,541
Due from banks in foreign currencies	1,350,340	1,727,102
	₩ 2,134,083	₩ 2,707,643

(Continued)



(2) Significant transactions not involving cash inflows or outflows for the years ended December 31, 2012 and 2011, were as follows (Korean won in millions):

	2012		2011	
Change in fair value of available-for-sale securities	₩	63,353	₩	(-)248,512
Change in capital by securities using the equity method		1,492		465
Change in valuation on cash flow hedging derivatives		(-)3,210		-
Debt-to-equity swap		519		31,351
Acquisition of securities through investment in kind		879,300		1,000,000

Due from banks in the non-consolidated statements of cash flows are the same as due from banks in the non-consolidated statements of financial position.

## 25. VALUE-ADDED INFORMATION:

Details of accounts included in the computation of value-added information for the years ended December 31, 2012 and 2011 are as follows (Korean won in millions):

	2012		2011	
Salaries and wages	₩	74,142	₩	67,775
Rent		682		573
Depreciation		3,705		3,364
Amortization of intangible assets		1,597		1,300
Taxes and dues		29,780		20,175
	₩	109,906	₩	93,187

## 26. ADOPTION OF KOREAN INTERNATIONAL FINANCIAL REPORTING STANDARDS (“K-IFRS”)

### (1) Adoption of Korean International Financial Reporting Standards

In accordance with the Export-Import Bank of Korea Act, the Bank is required to comply with K-IFRS from 2013. From April 2008, the Bank initiated the transition process to K-IFRS by applying the systematic approach, such as analyzing K-IFRS impact on current accounting, establishing new accounting standards and financial reporting system, and simultaneously operating financial reporting systems both under the K-IFRS and current accounting standards.

The Bank completed the first phase of K-IFRS adoption project by analyzing K-IFRS impacts and its major differences from the current accounting standards from April 2008. In the second phase, accounting policies and the financial reporting system responding to those new accounting standards have been established since April 2011. From July 2012, the Bank launched the third phase by stabilizing the new financial reporting system via simultaneous operation of the current and K-IFRS reporting systems. In addition, the Bank's financial statements in accordance with K-IFRS have been prepared for the periods on or after January 1, 2012, the date of transition.

(2) Differences between K-IFRS and current accounting standards which are significant to the Bank

Current accounting standards		K-IFRS
Allowance for possible loan losses	Allowance for possible loan losses to cover estimated losses on loans, based on rational and unbiased criteria, is recorded. (It is higher of the amount applying the percentage of loan loss allowance which is at the minimum level and established by the Financial Supervisory Commission or the amount based on loan loss experience ratio.)	<p>Allowance should be recorded when objective evidence of impairment exists as a result of one or more events that occurred after initial recognition. Individual assessment of incurred impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate except for not-incurred future loan loss and comparing the resultant present value with the loan's carrying amount.</p> <p>The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant (individual evaluation of impairment), and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment (collective evaluation of impairment). Such methodology incorporates factors such as type of product and borrowers, credit rating, portfolio size, loss emergence period and recovery period and applies probability of default on each assets (or pool of assets) and loss given default by type of collateral.</p>
Financial guarantee	Not applicable	Accounted for as a financial guarantee asset or liability if it is a contract that brings an obligation to an issuer to compensate a loss incurred to a holder, in accordance with the contract provisions, when debtor defaults at a payment date. Recognize financial guarantee assets or liabilities at fair value and subsequently amortize using the effective interest rate method. Also, financial guarantee liabilities are recorded at higher of allowance for guarantee loss or amortized cost.
Allowance for unused credit limits and allowances for possible losses on acceptances and guarantees	The Bank estimated allowances for possible losses on unused commitment and for possible losses on acceptances and guarantees based on the asset quality classifications and applied a credit conversion ratio as dictated by the Supervision of Banking Business Regulation, and more than minimum required reserve rate which is established by the Financial Supervisory Commission for the provision for unused credit limits.	The Bank recognizes loss provision for expected future use of unused portions which is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The best estimate of the expenditure required to take risks and uncertainties into account and discount the provisions, where the effect of the time value of money is material, using the valuation model in which credit conversion factor, default rate, loss rate at default, etc. are considered.
Revenue recognition	Fees directly associated with origination of loans are deferred and recognized over the maturity of the loan using the effective interest rate method as an adjustment to the loan balance and interest income.	All fees associated with origination of loans are deferred and recognized over the expected life of the loan using the effective interest rate method as an adjustment to the loan balance and interest income.
Effectiveness test for the derivatives	When a hedge accounting is applied to derivatives, changes in fair value of hedged items are measured using short-cut method.	When a hedge accounting is applied to derivatives, changes in the fair value of hedged items are measured using long haul method.
Fair value measurement of financial instruments	Not applicable	Counter party risk for the derivative transactions is evaluated depending on the position when the derivatives are exposed to the credit risk

Current accounting standards		K-IFRS
Valuation of tangible assets and investment property	Not applicable	Fair value of lands and buildings as of the transition date is to be deemed as net book value.
Changes in depreciation methods	Once depreciation method is determined, it should be consistently applied to all of newly acquired and existing assets.	Residual value, useful lives and depreciation method of property, plant and equipment are to be consistently reviewed at least every fiscal year end and significant changes, if any, should be treated as changes in accounting estimates.
Membership	Classified into sundry assets in other assets.	Classified into intangible asset with indefinite useful lives.
Measurement of accrued severance benefits	Provisions for retirement benefits accrued equal to the amounts to be paid at the end of reporting date, assuming that all entitled employees with a service year more than a year would retire at once. Other long-term employee's retirement benefit expenses incur at the point when the payment obligation is fixed.	Both the defined benefit and defined contribution plans are provided and the present value of promised retirement benefits are computed using the projected unit method based on actuarial assumptions and recorded as retirement benefit obligation.
Impairment of investments	<p>An impairment loss is recognized if there is objective evidence of impairment of securities as result of one or more events that occurred after the initial recognition asset and that event (or events) has an impact on the estimated future cash flows of the financial asset.</p> <p>When the value of impaired available-for-sale securities that are measured at cost subsequently recovers and the recovery can be objectively related to an event occurred, recovery on impaired securities is recognized.</p>	<p>For equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.</p> <p>In respect of available-for-sale equity instruments, impairment losses previously recognized in profit or loss are not reversed through profit or loss.</p>
Investment in subsidiaries, jointly controlled entities and associates	Not applicable	When preparing separate financial statements in accordance with K-IFRS No.1027 (Consolidated and separate financial statements), net book value of the investments in subsidiaries, jointly controlled entities and associates is regarded as the cost of the equity securities when the cost method is applied.

### (3) Changes in consolidation scope

There is no change in consolidation scope due to adoption of K-IFRS.

(4) The effects on the Bank's financial position and results of operation

The effects on the Bank's financial position and results of operation being listed below are set out based on the non-consolidated financial statements, which may change with subsequent adoption of amendments to the standards and further analysis. Conversion effects to K-IFRS are consisted of those from reclassifications and net asset changes due to the GAAP differences.

1) Summary of the effects on the statements of financial position at January 1, 2012 (Date of transition) (Unit: Korean Won in millions):

Classification	Assets	Liabilities	Equity
Current accounting standards	55,133,343	47,624,043	7,509,300
Adjustments:			
Allowance for loan losses	403,753	-	403,753
Provision for unused credit limits	-	(-)430,842	430,842
Interest income recognition by an effective interest method	(-)172,720	(-)141,305	(-)31,415
Financial Guarantee	72,116	114,341	(-)42,225
Derivative evaluation	-	-	-
Valuation (impairment) of investments	-	-	-
Adjustment of credit risk evaluation	-	25,934	(-)25,934
Revaluation of tangible assets	185,101	-	185,101
Impairment of non-financial assets	(-)476	-	(-)476
Employee benefits	-	20,584	(-)20,584
Equity method	-	-	-
The effects of changes in foreign exchange rate	(-)164	-	(-)164
Deferred tax assets adjustments	(-)160,995	-	(-)160,995
Debt obligations	-	(-)5,705	5,705
Hedge accounting	-	175,177	(-)175,177
Others	(-)5,264	-	(-)5,264
	321,351	(-)241,816	563,167
K-IFRS	55,454,694	47,382,227	8,072,467

2) Summary of the effects on the financial position at December 31, 2012 and the results of operation for the year ended December 31, 2012 (Unit: Korean Won in millions):

Classification	Assets	Liabilities	Equity	Net income
Current accounting standards	54,588,113	46,022,556	8,565,557	148,939
Adjustments:				
Allowance for loan losses	47,280	-	47,280	(-)356,472
Provision for unused credit limits	-	(-)847,332	847,332	416,490
Interest income recognition by an effective interest method	(-)150,353	(-)115,137	(-)35,216	(-)3,801
Financial Guarantee	112,095	146,845	(-)34,750	7,475
Derivative evaluation	-	-	-	-
Valuation (impairment) of investments	-	-	-	323,285
Adjustment of credit risk evaluation	-	14,554	(-)14,554	11,380
Revaluation of tangible assets	185,101	-	185,101	-
Impairment of non-financial assets	(-)475	-	(-)475	-
Employee benefits	-	24,124	(-)24,124	(-)1,388
Equity method	(-)15,505	-	(-)15,505	(-)14,012
The effects of changes in foreign exchange rate	(-)54,694	39,032	(-)93,726	(-)93,562
Deferred tax assets adjustments	(-)144,723	-	(-)144,723	(-)48,486
Debt obligations	-	34,044	(-)34,044	(-)39,748
Hedge accounting	-	155,592	(-)155,591	9,584
Others	(-)4,824	-	(-)4,824	441
	(-)26,098	(-)548,279	522,181	221,186
K-IFRS	54,562,015	45,474,277	9,087,738	370,125

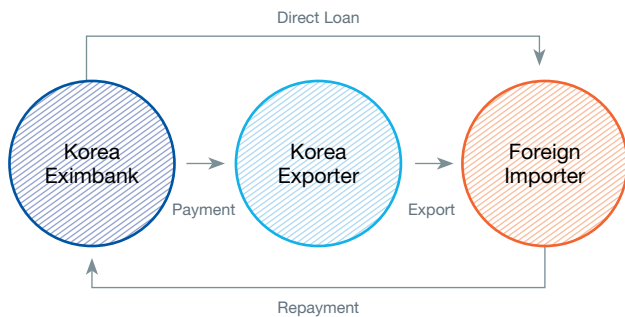


# Financial Services

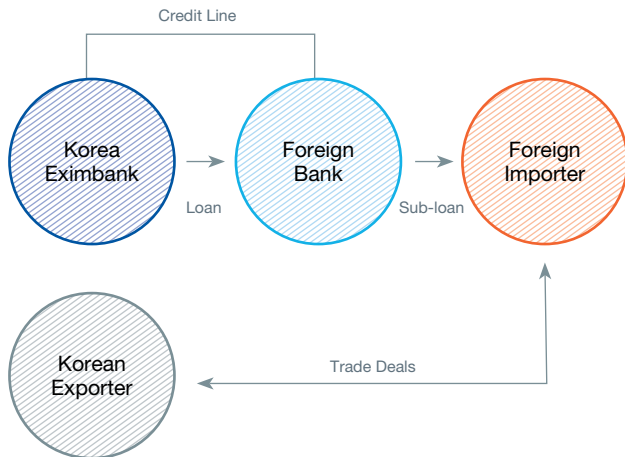
## EXPORT FINANCE

### Export Finance for Foreign Entities

- DIRECT LOANS Export loans extended to foreign buyers that purchase Korean goods and services.



- INTERBANK EXPORT CREDITS Credit facilities extended to foreign banks for the provision of loans to corporate clients for the payment of goods or services imported from Korea.



- UNTIED TWO-STEP LOANS Credit facilities extended to foreign banks for the provision of loans to Korea related companies (KRCs) or transacting companies (TCs). Untied Two-step Loans do not necessarily require underlying trade transactions with Korea.

### Export Performance-based Loans

- COMPREHENSIVE EXPORT LOANS FOR SMEs Loans provided on the basis of past export performances to SMEs manufacturing export goods.

### Project-based Loans

- SPECIAL CREDIT LOANS FOR SMEs Loans provided to SMEs exporting goods under short-term export contracts.
- SHORT-TERM EXPORT LOANS Loans provided to Korean manufacturers for the export of goods under short-term export contracts (with a payment period of less than 2 years after shipment).
- EXPORT CREDITS FOR FACILITY EXPANSION & ENLARGEMENT Export Credits for Facility Expansion & Enlargement are provided to SMEs seeking to expand manufacturing facilities, e.g., real estate, equipment, and machinery for the production of export goods.
- EXPORT CREDITS FOR R&D Export credits provided to SMEs conducting R&D to develop innovative export products or to commercialize such products.
- EXPORT CREDITS FOR OVERSEAS MARKET DEVELOPMENT Export credits provided to SMEs expanding into overseas markets for purposes of new market development and market diversification.
- PRE-SHIPMENT CREDITS Export loans provided to exporters or manufacturers to finance the production of export goods before delivery to foreign importers.

## TRADE FINANCE

- **EXPORT FACTORING** Trade finance for Korean exporters in which the Bank purchases account receivables arising from open-account export transactions on a without-recourse basis.
- **EXPORT BILL PURCHASE** Trade finance for Korean exporters in which the Bank purchases export bills arising from export transactions on an L/C or non-L/C basis.
- **FORFAITING** Trade finance for Korean exporters in which the Bank purchases the exporter's trade bills at a discount on a without-recourse basis.
- **REDISCOUNT ON TRADE BILLS** Funding provided to domestic commercial banks, which purchase trade bills from Korean exporters, by rediscounting promissory notes issued by the commercial banks.
- **TRADE FINANCE REFINANCING** Funding provided to domestic commercial banks based on their trade finance provision records to SMEs, which allows Korea Eximbank to indirectly support SME exporters.

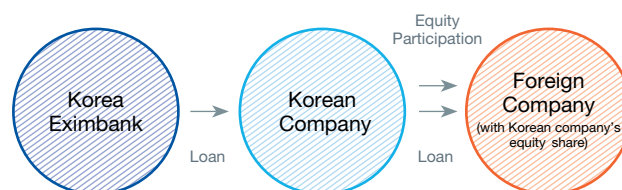
## IMPORT FINANCE

- **IMPORT CREDITS** Credit facilities provided to Korean importers for the purchase of essential materials, major resources, and high-tech products whose reliable and timely supply is vital to the national economy.



## OVERSEAS INVESTMENT FINANCE

- **OVERSEAS INVESTMENT CREDITS** Credit facilities provided to Korean companies that invest abroad in the forms of capital subscription, acquisition of stocks, and long-term credit.
- **OVERSEAS PROJECT CREDITS** Credit facilities provided to Korean companies engaged in business outside Korea without establishing an overseas subsidiary.
- **OVERSEAS BUSINESS CREDITS** Credit facilities extended directly to foreign companies, in which Korean companies have equity shares, for the purpose of purchasing equipment and/or providing working capital.
- **INVESTMENT CREDITS FOR FOREIGN ENTITIES** Credit facilities provided to foreign governments or companies that invest in foreign companies in which Korean companies have equity shares.



## GUARANTEES AND OTHER SUPPORT

- **FINANCIAL GUARANTEES:** Financial guarantees to Korean commercial banks, and foreign banks extending loans to projects that are co-financed with Korea Eximbank.



- **PROJECT-RELATED GUARANTEES** Guarantees against non-performance by Korean exporters, provided to foreign importers/project sponsors in the form of bid bonds, advance payment bonds, performance bonds, maintenance bonds, etc.
- **BOND SUPPORT** Subscription, underwriting, investment, or guarantee of bonds issued by domestic or foreign companies eligible for Korea Eximbank financing in conducting overseas transactions.
- **L/C CONFIRMATION FACILITIES** Guarantees of Korean exporters' payment on L/Cs issued by foreign banks for exported goods or services.
- **EQUITY INVESTMENTS** Equity investments in project companies to which Korea Eximbank extends loans or guarantees for conducting overseas projects; or investments in funds, in case of green or natural resource projects.

## FINANCIAL ADVISORY & STRUCTURING SERVICES

Korea Eximbank provides comprehensive financial packages for our clients in conjunction with various credit departments. While credit departments provide financing as lenders and/or guarantors, the Financial Advisory & Structuring Department provides financial services as a financial adviser or mandated lead arranger in order to support the successful implementation of large-scale overseas projects.

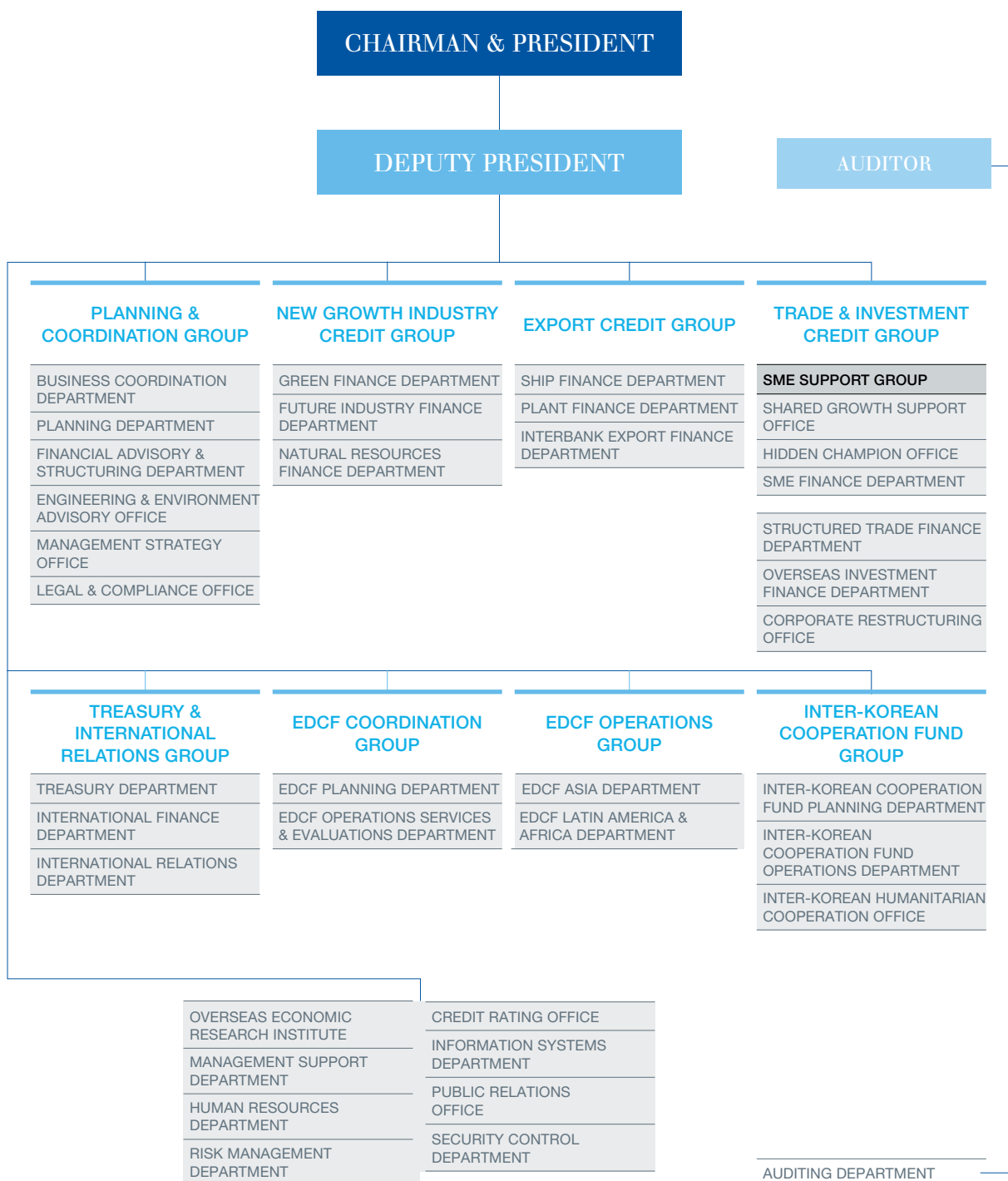
### Services Provided as Financial Adviser (FA)

- Assess bankability of project documents (project structure, project feasibility, etc.)
- Formulate financing plans and financial models
- Support selection of consultants (legal, market, technical, environmental, insurance, financial, etc.) and MLAs
- Preparation of Preliminary Information Memorandums, Request for Proposals, etc. for prospective lenders
- Draw up term sheets
- Support arrangement of road shows with MLAs for syndication
- Negotiate financial terms with lenders

### Services Provided as Mandated Lead Arranger (MLA)

- Assist the preparation of Information Memorandums and syndication of lenders including commercial banks
- Revise financial models to reflect financing plans and structure appropriate sensitivity analyses
- Assess financing requirements, assist preparation of the final Term Sheet, and conduct due diligence on financial documents
- Represent the lenders in negotiation with sponsors, reconcile interests of different lenders

# Organization Chart





# Head Office and Domestic Branches

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