ANNUAL REPORT
2013

Empowerment through Innovation

Korea Eximbank
THE EXPORT-IMPORT BANK OF KOREA

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Overview

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

Korea Eximbank's primary services include Export Financing, Trade Financing, and Guarantee programs structured to meet the needs of clients in a direct effort to both complement and strengthen clients' competitiveness in global markets. The Bank also provides Overseas Investment Financing, Import Financing, and Financial Advisory and Structuring Services geared to maximizing 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 (ODA) 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.

Mission & Vision

Mission	Development of the national economy through promotion of international economic cooperation.
Vision	The global financial partner connecting Korea to the world.

Credit Ratings

Moody's	S&P	Fitch
Aa3	A+	AA-

* Equivalent to the sovereign credit rating of Korea

Message from the Chairman and President

Throughout 2013, Korea Eximbank has redefined the boundaries of what an export credit agency can do to support externally oriented domestic companies through its trail-blazing financial solutions and programs. Armed with a newly expanded legal mandate, Korea Eximbank is determined to make 2014 a landmark year in its evolution into a genuine global financial partner connecting Korea to the world.

2013 has been a year in which a solid foundation was laid under the new government to return the Korean economy to a path of robust growth. Despite considerable external challenges, Korea's trade surplus hit a record high of USD 44.1 billion with its trade volume exceeding USD 1 trillion for the third consecutive year.

Such accomplishments, I believe, are owed not only to the tireless efforts and ingenuity of the Korean business community but also, in no small measure, to Korea Eximbank's firm supporting role as a facilitator of Korean business activities abroad.

By providing KRW 75.8 trillion (USD 69.2 billion) in credit in the year of 2013, the Bank strongly supported the export and import transactions as well as entry into overseas markets of Korean companies while faithfully implementing the newly inaugurated government's policy initiatives.

Our achievements have been especially marked in the following areas:

- The Bank has helped to boost the financial competitiveness of Korean companies bidding for overseas projects by providing KRW 23 trillion in credit to the industrial plant sector, where competition is growing fiercer by the day. We have also extended credits totaling KRW 4.7 trillion and KRW 1.5 trillion respectively for the green sector and the overseas natural resource development sector.

- We have also channeled 34% of the Bank's total credits (amounting to KRW 25.4 trillion) to small and medium enterprises (SME) that form the backbone of our economy.

- In addition, we provided KRW 6.6 trillion to cyclically-sensitive industries such as SME shipbuilding, maritime shipping, and construction in order to fulfill our role as a guarantor of market stability.

- Meanwhile, the Bank successfully raised USD 10.1 billion from the international capital market — the largest volume raised by a Korean financial institution. The Bank also reaffirmed its position as Korea's benchmark bond issuer by effectively diversifying its sources of funding through pioneering new products such as a global Green Bond.

Also in 2013, Korea Eximbank continued its shrewd operation of two government funds entrusted to it, namely the Economic Development Cooperation Fund (EDCF) and Inter-Korean Cooperation Fund (IKCF).

Through EDCF, Korea Eximbank made loan commitments amounting to KRW 1.28 trillion (USD 1.2 billion) to developing countries in infrastructure sectors such as transportation and energy, with the aim of providing a launch pad for the economic takeoff of developing countries.

Korea Eximbank has also faithfully executed its mission as a promoter of inter-Korean exchanges by providing support through IKCF for companies operating in the Gaesong Industrial Complex in the face of uncertainties surrounding the Korean peninsula.

Since reaching the USD 20 thousand mark in terms of GDP per capita, the Korean economy appears to be caught in a middle-income trap in which depressed investment and dwindling growth engines hold back its advancement into the ranks of developed economies.

At such a critical juncture, Korea Eximbank in 2014 will extend KRW 76 trillion in credit (KRW 52 trillion in loans and KRW 24 trillion in guarantees) equivalent to USD 69.4 billion to bolster Korea's export competitiveness and restore its economic dynamism. The Bank's efforts in this regard will be substantially aided by the amended Export-Import Bank of Korea Act that passed the National Assembly at the end of 2013, which raised the Bank's paid-in capital ceiling and defines the organization's mandate in much broader terms.

Our major areas of endeavor for the year 2014 are as follows:

- While spearheading the global expansion of Korean companies by providing robust support for the nation's high value-added strategic industries such as overseas infrastructure and industrial plants, the Bank will also focus on developing future creative industries such as knowledge services, cultural contents, and healthcare into export industries.

- We will continue to champion the growth of SMEs and medium-large businesses by offering them tailor-made financing programs and top-quality market intelligence.

- While exerting concerted efforts to reinforce economic cooperation in Northeast Asia and facilitate inter-Korean economic exchanges by generating synergies between export credits and IKCF programs, we will also make effective use of EDCF to facilitate the entry of Korean companies into newly emerging markets.

From supporting the global operations of Korean companies to deepening economic cooperation with developing countries through official development assistance (ODA), and to building a solid foundation for the unification of the two Koreas, Korea Eximbank will perform its duties as a trusted ECA with the utmost dedication and professionalism.

Thank you and we look forward to your continued interest and support for Korea Eximbank.

Lee Duk-Hoon, Ph.D.
Chairman & President

Senior Management

Each and every one of us at the senior management team will exert constant efforts to maintain the highest standards of corporate governance at Korea Eximbank.

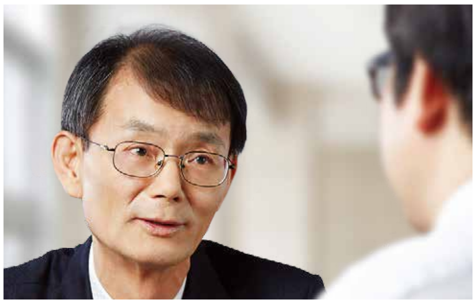
Lee Duk-Hoon
Chairman & President

Nam Ki-sub
Deputy President

Bae Sun-young
Auditor

Shim Seop
Senior Executive Director
Head of EDCF Coordination Group

Sul Youngwhan
Senior Executive Director
Head of Planning & Coordination Group



Park Il-dong
Executive Director
Head of Future Industry Finance Group

Hong Youngpyo
Executive Director
Head of Export & Investment Finance Group

Chang Man-ik
Executive Director
Head of SME & Trade Finance Group

Choi Sunghwan
Executive Director
Head of Treasury & International Relations Group

Yim Seong-hyeog
Executive Director
Head of EDCF Operations Group

Min Heung-sik
Executive Director
Head of Inter-Korean Cooperation Fund Group

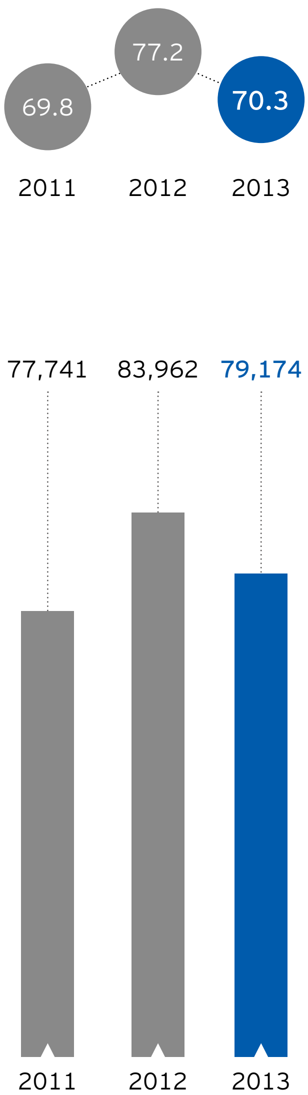
Oh Sung-ik
Non-executive Director

Ahn Young-ryul
Non-executive Director

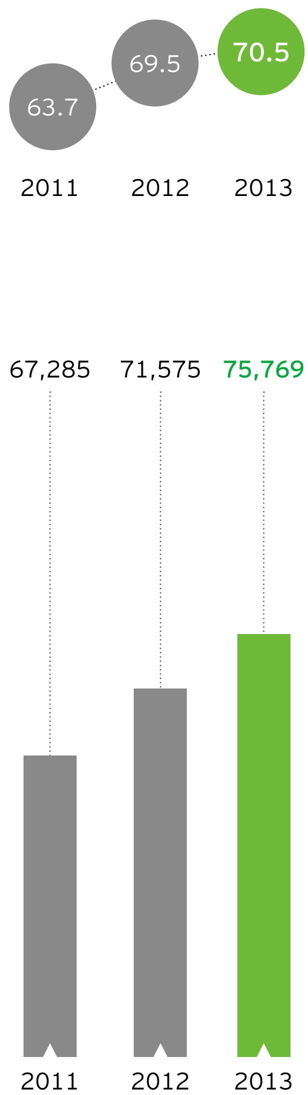
Financial Highlights

	2013		2012
	KRW billion	USD million	KRW billion
For the Year			
Commitments	**79,174**	**72,316**	83,962
Loans	55,626	50,811	64,851
Guarantees	23,548	21,505	19,111
Disbursements	**75,769**	**69,207**	71,575
Loans	53,398	48,776	49,728
Guarantees	22,371	20,430	21,847
Net Income	**77**	**70**	391
Applied Exchange Rate (KRW/USD)		1,095.0	
At Year-End			
Total Outstanding	**90,846**	**86,085**	84,101
Loans Outstanding	49,259	46,678	44,721
Guarantees Outstanding	41,587	39,407	39,380
Total Assets	**61,404**	**58,186**	54,961
Paid-in Capital	**7,238**	**6,859**	7,138
Applied Exchange Rate (KRW/USD)		1,055.3	
BIS Ratio		11.6%	11.6%

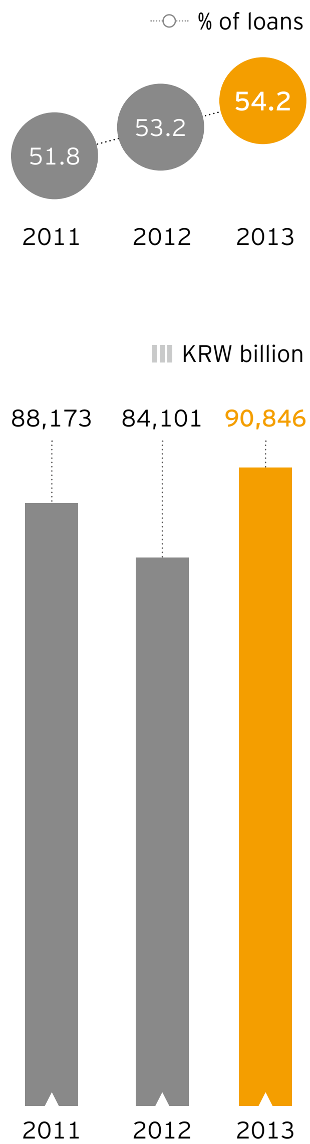
Total Commitments



Total Disbursements



Total Outstanding



2013 At a Glance

Historic Amendment to The Export-Import Bank of Korea Act Passed by National Assembly

The National Assembly passed a major revision to The Export-Import Bank of Korea Act on December 26, expanding the Bank's legal mandate for the first time since its establishment in 1976. The revised Act will increase the Bank's paid-in capital ceiling to KRW 15 trillion from the current KRW 8 trillion, to equip the Bank with adequate firepower to meet the enlarged financing needs of externally oriented Korean businesses. The amendment also gives the Bank much greater scope for creativity and flexibility than before, by defining its mission in broader terms and with greater emphasis on its role as a champion of SME growth.

Joint Project Financing for US Sabine Pass LNG Project

Korea Eximbank decided to provide USD 750 million in project financing for the construction of an LNG terminal at Sabine Pass in the US state of Louisiana. This project carries great significance in that four government-mandated financial institutions including the Bank partnered up with six commercial banks to participate jointly in an overseas project for the first time in history. By offering loan guarantees and senior creditor status to the commercial lenders, the Bank enlisted the participation of the normally home-market oriented domestic commercial banks in a landmark overseas project financing deal.

Introduction of World's First Ship Bond Guarantee

In September, Korea Eximbank has provided a USD 125 million ship bond guarantee introduced for the first time in the world, alongside a USD 175 million direct loan, to a US-based product tanker company which purchased 18 product tankers from three Korean shipbuilders. A ship bond guarantee is an instrument by which the Bank guarantees the bond issued by a foreign shipowner to finance its purchase of Korean-made vessels. This trail-blazing program opens up new possibilities for utilizing the abundant liquidity in the capital market, and the Bank plans to make extensive use of it to facilitate ship exports.

302 Hidden Champion Candidates Selected

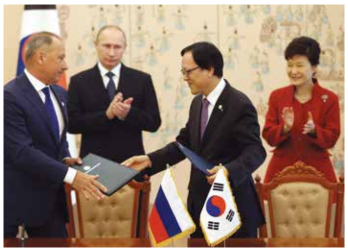
Since launching the Korean Hidden Champion Initiative in 2009, Korea Eximbank has selected 302 SMEs and medium-large companies with high technological and business potential as Hidden Champion candidates, including the 55 companies chosen in 2013. 15 of those candidates have already been crowned as Korean Hidden Champions during the four years since the launch of the program. Starting from 2014, the Bank is planning to take the program to the next level, shifting its focus from selecting candidates to seriously promoting their growth.

Financing the Growth of Creative Industry

Korea Eximbank proposed a comprehensive plan to develop the creative industry as an export industry in May. The creative industry is a future growth engine which champions creativity and creates high added-value through a convergence of science and ICT. The program to support creative industry-based exporters offers a 'one-stop finance solution' that is optimized to each stage of exporting a product, from R&D (including intellectual property acquisition) to commercialization, overseas market development, and export. The program reflects the Bank's commitment to propel the development of the creative industry into a new engine of growth, much as the Bank has done with the shipbuilding, plant, and green growth industries.

Global Green Bond Issued to Support Green Industry

Korea Eximbank successfully issued a global Green Bond worth USD 500 million to investors worldwide in February. The Bank thus became the first non-international financial institution in the world to successfully issue a global Green Bond. A Green Bond is a debt instrument which can only be used to finance 'green' initiatives such as new and renewable energy projects. Issued with a maturity of five years and priced at 95 basis points over US Treasuries, the bond recorded the lowest spread for a Korean bond since the global financial crisis in 2008.



Korean-Russian Financial Cooperation Agreed to Develop Far East

Korea Eximbank signed an MOU for the establishment of a Korean-Russian Co-investment Platform — aimed especially at promoting the development of the Russian Far East — with Russia's state-owned Vnesheconombank (VEB), on November 13 at the presidential Blue House. By establishing a substantive framework of cooperation between the two principal financial policy arms of the Korean and Russian governments, the MOU is expected to boost opportunities for Korean companies to participate in Russia's USD 359 billion long-term plan to develop the Far East.

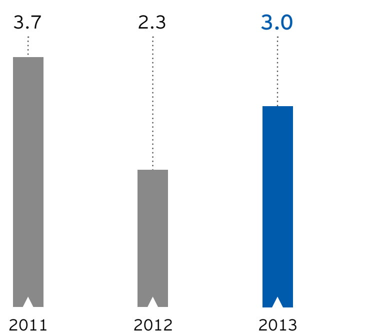
Economic Situation and Outlook

Despite external challenges, the Korean economy scaled new heights in exports, trade surplus, and total trade in 2013. On the back of strong economic fundamentals manifested by recovering exports and domestic demand, the Korean economy is expected to stage a comeback to robust growth in 2014.

Korea recorded an annual GDP growth rate of 3.0% in 2013. As compared with the previous year, Korea appears to be entering a phase of moderate recovery in tandem with the global economic recovery. The global economy has been improving gradually, mainly driven by accommodative monetary policy stances of developed countries.

Thanks to the gradual recovery of external markets, Korean exports reached a historic record of USD 559.7 billion. Private consumption has also rebounded, on the back of a recovery of consumer confidence and employment. With consumption and exports on the rise, facilities investment and construction investment also entered an upward trend.

Real GDP Growth Rate (%)



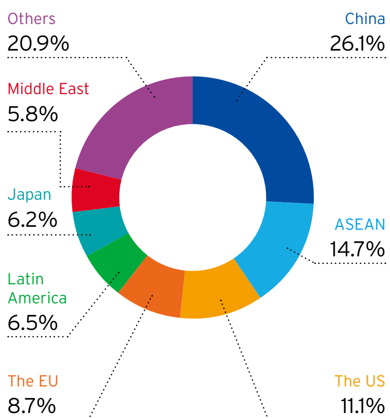
* Source: The Bank of Korea

Trade Trends in 2013[1]

Korea set new records in exports, trade surplus, and total trade in 2013. Exports hit a record-high of USD 559.7 billion in 2013, a 2.1% increase over the previous year; total trade surpassed USD 1 trillion for the third consecutive year, bringing the country's trade surplus to a record USD 44.1 billion.

By region, China accounted for the largest share of Korea's exports at 26.1%, followed by ASEAN (14.7%), the US (11.1%), and the EU (8.7%). Exports to China continued to grow, by an annual rate of 8.6%. Thanks to the global recovery led by developed markets, exports to the US climbed 6.0%. However, exports to Japan decreased 10.7% due to the weakening of the Japanese yen. And exports to ASEAN have been decelerating owing to a slowdown in economic growth in countries such as Indonesia.

Export Markets

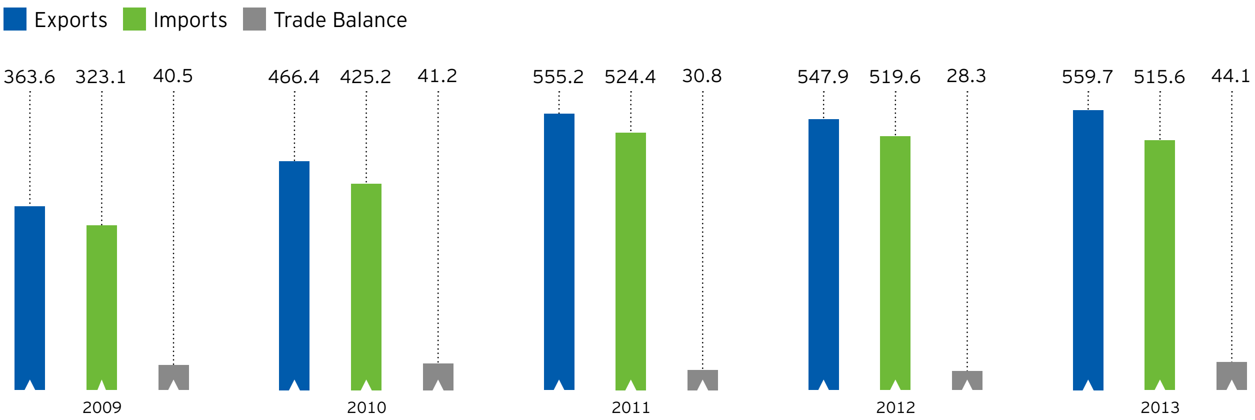


By sector, semiconductors took up the largest share of exports at 10.2%, followed by petroleum products (9.4%) and automobiles (8.7%). Semiconductors rose by 13.3% and reclaimed the title of No.1 export segment for the first time in three years, powered by increasing demand for mobile devices. Exports of wireless communication devices and home appliances also continued to grow, expanding by 21.2% and 17.8%, respectively. Meanwhile, exports of steel products and petroleum products respectively dropped 12.1% and 5.9% year-on-year as a result of global oversupply and declining export prices.

Imports, on the other hand, fell 0.8% year-on-year to USD 515.6 billion. Cheaper oil prices drove down imports of raw material by 3.7%.

[1] *"Mar, 2014 Trends for Export and Imports,"* released by the Ministry of Trade, Industry and Energy (Apr. 1, 2014)

Exports, Imports, and Trade Balance (USD billion)



Conversely, imports of capital goods (3.3%) and consumer goods (7.2%) showed positive growth.

On balance, Korea recorded a trade surplus of USD 44.1 billion, affirming its status as a net exporter for the fifth consecutive year.

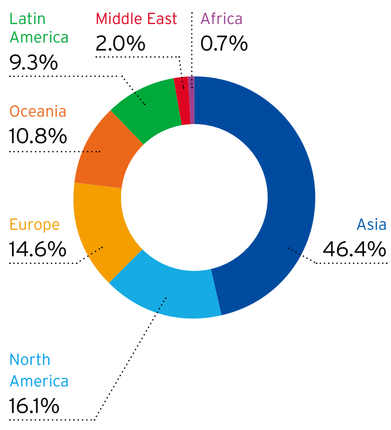
Outbound FDI Trends in 2013

Despite the gradual recovery of the global economy led by developed countries, Korean investments to foreign countries have continued to decline. Korea's outbound FDI in 2013 shrank 4.2% to USD 24.1 billion, recording negative growth for two consecutive years. On the other hand, the number of enterprises newly established in foreign countries by Korea's outbound FDI increased 10.1% from the previous year to 2,776.

While investment destinations worldwide were diversified to 114 countries in 2013 alone, investment in the US, China, and Australia accounted for 43.5% of total outbound FDI — an increase from last year's 40.8%.

By investment category, the manufacturing sector received the greatest amount of investment, or USD 9.5 billion, of which USD 7.4 billion went to Asia, representing an increase of 41.9% from 2012. The second largest portion of investments went to the mining sector. Oceania accounted for the greatest share of mining sector investments, absorbing USD 1.7 billion out of USD 5.5 billion. A total of USD 2.2 billion was invested in the financial and insurance activities sector, making it the third largest outbound investment category. Outbound FDI to these three sectors recorded growth rates of 19.9% (manufacturing), △24.9% (mining), and 59.6% (financial and insurance activities), respectively.

Outbound FDI in 2013 (by region)



Outbound FDI (Annual Flow)

	2009	2010	2011	2012	2013
Amount (USD billion)	20.4	24.5	27.6	25.1	24.1
Change (%)	△14.7	19.8	12.8	△9.0	△4.2

Outlook for 2014[2]

In 2014, the Korean economy is forecasted to grow by 3.8% thanks to recovering exports and domestic demand. The economy is expected to grow at an annualized rate of 3.9% in the first half due to the government's economic stimulus. And its projected growth rate of 3.7% in the second half of the year is likely to be powered by the private sector, which would receive a direct boost from the global economic recovery. The gradual recovery of major economies is expected to drive a steady improvement in the export climate. Also, domestic demand is projected to increase on the strength of private consumption and investment.

Private consumption is expected to grow 3.4% thanks to an improving income situation driven by employment growth and price stability. Facilities investment is forecasted to pick up gradually, recording a growth rate of 5.8%, due to an upturn in exports and business confidence. Investment in leading industries such as IT and automobiles is expected to increase. Construction investment is also expected to rise 1.6%, led by construction of non-residential buildings such as industrial parks.

Exports are forecasted to grow 6.1% in 2014 as the global economy gradually recovers and the volume of trade increases, while imports are projected to grow 7.7% as its demand increases in tandem with the recovery of domestic demand.

But there is a downside risk in this outlook: if the tapering of quantitative easing by the US leads to instability in the global financial market, it will slow the pace of the global economic recovery.

By-industry Outlook for 2014

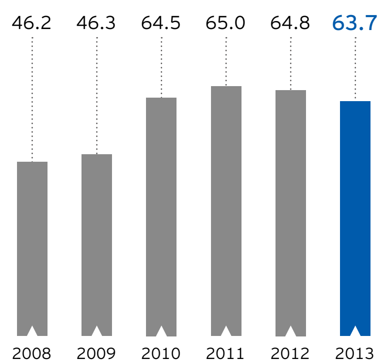
Industrial Plants[3] Despite the decline in Middle East projects, the total value of overseas plant construction projects awarded to Korean builders in 2013 amounted to USD 63.7 billion, exceeding USD 60 billion for the fourth consecutive year.

By region, with the rise of Asia and Africa as new growth markets, the volume of plant orders from those regions jumped 40.4% and 27.6%, respectively. Orders from the Middle East and America, on the other hand, fell sharply by 33.0% and 27.5%, respectively. This indicates that the Korean plant industry has been weaned from its over-reliance on the Middle East, resulting in a more even geographical distribution of markets for the industry.

By sector, power generation, maritime platforms, and oil & gas accounted for 84.7% of total plant contracts in 2013. In particular, contracts of oil & gas facilities enjoyed the highest growth rate of 79.1%, while contracts of petrochemical plants fell steepest by 36.4% from the previous year. In terms of project scale, the value of contracts awarded to Korea has been increasing, with orders valued higher than USD 0.5 billion making up over 84.4% of all orders in 2013.

In 2014, overseas plant orders to Korean companies are projected to show stable growth and exceed USD 70 billion for the first time, on the back of the global economic recovery and growing demand for infrastructure in developing countries. By region, orders from the Middle East, especially in oil & gas, will likely post stable growth fueled by strong oil dollar revenues. Also, orders from Asia and Africa are expected to grow in the oil & gas and power generation segments.

Plant Contracts Awarded to Korean Contractors (USD billion)



[2] *"Economic Outlook for 2014,"* released by the Bank of Korea (Jan. 9, 2014)

[3] *"Overseas orders for Korea's industrial plants in 2013 put up a good defense despite global economic recession,"* released by the Ministry of Trade, Industry and Energy (Jan. 7, 2014)

Shipbuilding[4] The global shipbuilding industry, which has been mired in recession, has recovered in 2013. The global total shipbuilding orders recorded 48.7 million CGT (Compensated Gross Tonnage), up 92.4% from the previous year.

Korean shipbuilders secured 16.1 million CGT, recording a growth rate of 98.8% year-on-year. The volume of orders awarded to Korean shipbuilders is the second highest in the global market, accounting for 33% of global orders, following China's 41%.

Meanwhile, Korea secured the highest combined value of shipbuilding orders in the world, or USD 41.1 billion in 2013. This reflects the comparative advantage of Korean shipyards in the global market for high value-added ships such as LNG carriers and ultra-large container ships. By segment, the demand for product carriers (PC) and LNG carriers jumped in the context of the shale gas boom and tight oil. PCs accounted for 27.7% of the total amount of orders, followed by container ships (25.8%) and LNG carriers (14.7%).

In 2014, despite the recession in the maritime shipping industry, the shipbuilding industry is forecasted to recover gradually, led in particular by demand for container ships and offshore facilities such as FPSOs (Floating Production Storage and Offloading vessels). Korea's shipbuilding industry is expected to record USD 42.1 billion in total contract value with its competitive advantage in high value-added ships.

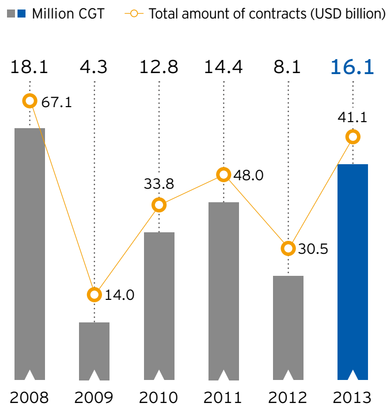
IT[5] In 2013, Korea's IT exports amounted to USD 169.4 billion, up 9.1% from the previous year. The sector's trade surplus reached a record USD 88.6 billion. Korea's IT industry accounted for 30.3% of total exports, spearheading the growth in the country's exports in 2013.

Powered by Korea's dominance in the global mobile devices market, exports of mobile phones and semiconductors grew 23.0% and 13.3%, respectively. Also, exports of digital TV, one of Korea's main IT export items, rose 18.0% year-on-year as a result of a recovery in demand from Western Europe and North America. Semiconductors took up the largest share of IT exports with USD 57.2 billion, accounting for 10.2% of the country's total exports.

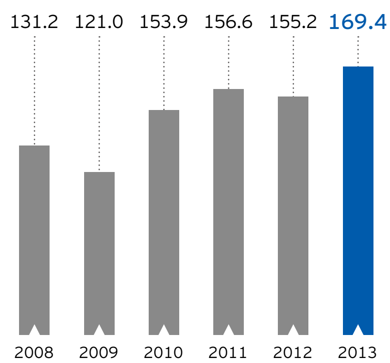
By region, IT exports to China, ASEAN, and the US expanded significantly. Exports to China (including Hong Kong) increased for the twelfth consecutive year, accounting for the largest share (50.5%) of all IT exports in 2013. Meanwhile, exports to Japan posted a decline attributable to the weak Japanese yen and sluggish sales of major IT products such as semiconductors and mobile phones.

The world IT market is expected to grow modestly in 2014 on the back of the recovery in developed economies and the growing demand for smart devices in emerging markets. Against this background, Korean IT exports are projected to increase by 4.7% to USD 177.4 billion.

Shipbuilding Contracts



IT Sector Exports (USD billion)

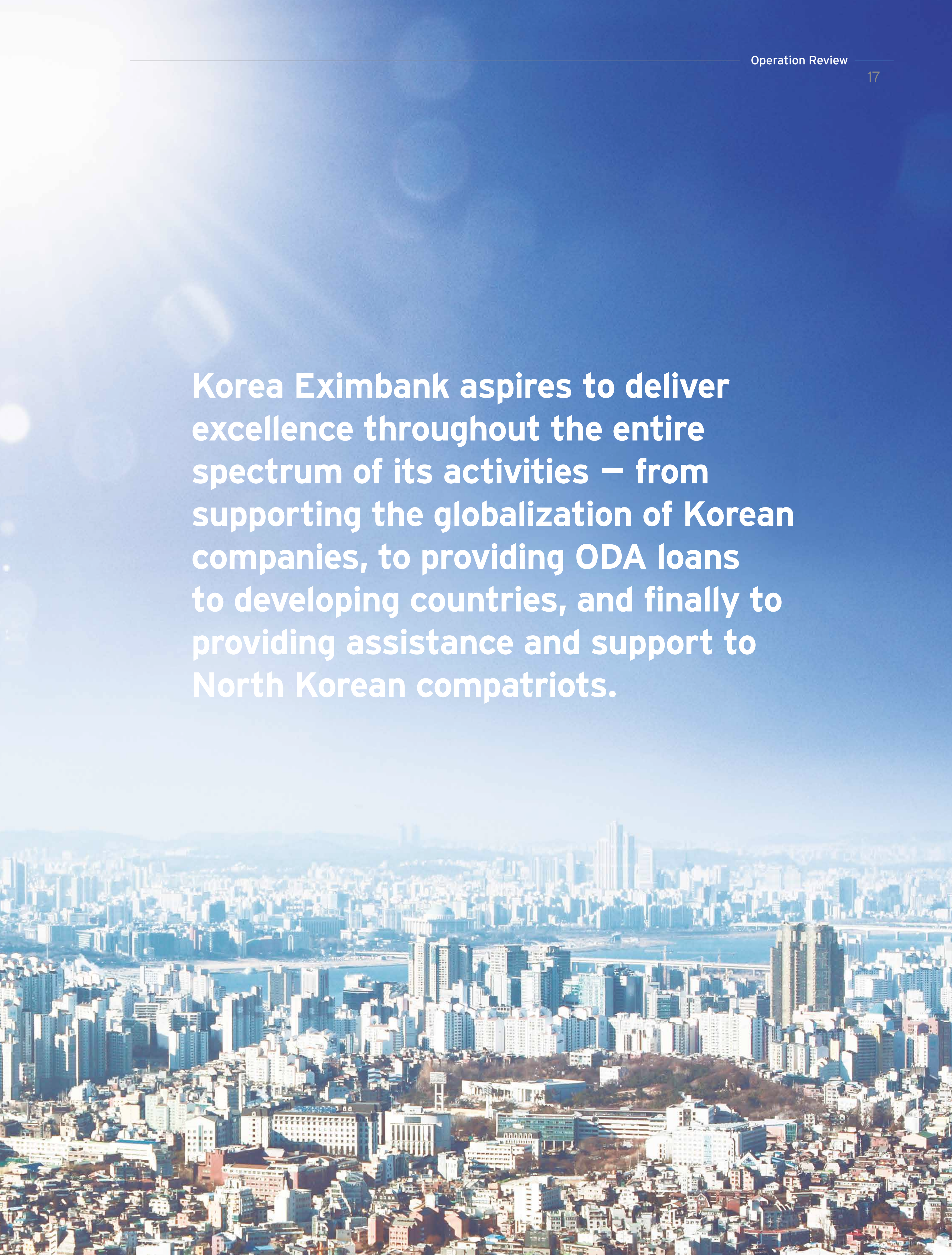


[4] *"2013 Trends and 2014 Outlook for Shipbuilding Industry,"* released by Korea Eximbank's Overseas Economic Research Institute (Dec. 30, 2013)

[5] *"ICT exports reach record high in 2013,"* released by the Ministry of Trade, Industry and Energy (Jan. 9, 2014)

Operation Review

- Bank Account Activities
- Government Account Activities – EDCF
- Government Account Activities – IKCF
- Supporting Activities



Korea Eximbank aspires to deliver excellence throughout the entire spectrum of its activities — from supporting the globalization of Korean companies, to providing ODA loans to developing countries, and finally to providing assistance and support to North Korean compatriots.

Bank Account Activities

Korea Eximbank's efforts to bolster the Korean economy continued in 2013, through the provision of a record-high volume of credit as well as various programs to catapult Korean companies into higher dimensions of global competitiveness.

Bank Operations

2013 was a year when Korea Eximbank went the extra mile to bolster the Korean economy by providing steadfast financial support to Korean companies doing business overseas. With Korea's trade volume recording USD 1.08 trillion and overseas plant construction reaching USD 63.7 billion in 2013, Korean companies continued to play an active part in the global market.

To facilitate the global endeavors of the Korean business community, the Bank disbursed in 2013 a total credit of KRW 75.8 trillion (KRW 53.4 trillion in loans and KRW 22.4 trillion in guarantees), equivalent to USD 69.2 billion, a 5.9% increase from the previous year.

By type of financing, the largest share of the Bank's loan portfolio was disbursed in the form of Export Financing (KRW 37.8 trillion or USD 34.5 billion, 70.8%), followed by Overseas Investment Financing (KRW 10.1 trillion or USD 9.2 billion, 18.8%), and Import Financing (KRW 5.5 trillion or USD 5.1 billion, 10.4%).

Looking at the Bank's guarantee facilities, Project-Related Guarantees constituted the greatest portion (KRW 17.4 trillion or USD 15.9 billion, 77.7%), 68.9% of which was in the form of advance payment bonds. Financial Guarantees, which complement the Bank's loan facilities, reached KRW 2.2 trillion (USD 2.0 billion, 9.6%) while other guarantees totaled KRW 2.8 trillion (USD 2.6 billion, 12.7%).

Export Financing

Overall, loan disbursements made under Export Financing facilities showed a slight increase of 3.1% from KRW 36.7 trillion (USD 32.6 billion) in 2012 to KRW 37.8 trillion (USD 34.5 billion) in 2013. Disbursements under Trade Financing facilities such as Forfaiting and Export Factoring, which had exhibited a considerable increase in 2012, decreased in volume. On the other hand, disbursements of Direct Loans, Comprehensive Export Loans for SMEs, and Pre-shipment Loans rose significantly in 2013.

By industry, industrial plants received the largest portion of Export Financing loans (disbursement basis) with KRW 13.0 trillion (USD 11.8 billion, 34.3%) in 2013. The second largest share went to the services industry with KRW 4.7 trillion (USD 4.2 billion, 12.3%), followed by petrochemical products with KRW 4.6 trillion (USD 4.2 billion, 12.2%).

Direct Loans

Direct Loans, or buyers' credits, are a type of export loan facility which assists foreign buyers in purchasing Korean goods and services. Under this program, the Bank directly enters into loan agreements with foreign buyers and funds their payments to Korean exporters.

Disbursements made under Direct Loan facilities soared 116.0% to KRW 3,402 billion (USD 3,107 million) in 2013 from the previous year's KRW 1,575 billion (USD 1,398 million). On the other hand, commitments of Direct Loans amounted to KRW 5,980 billion (USD 5,461 million) in 2013, a 59.7% fall from KRW 14,841 billion (USD 13,170 million) in 2012.

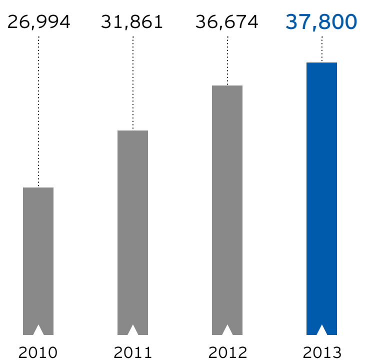
Interbank Export Loans and Untied Two-step Loans

Interbank Export Loans (IEL) are credit facilities extended to foreign banks in the form of a credit line that can be utilized by those banks to make loans to their clients importing Korean goods or conducting business with local subsidiaries of Korean companies. On the other hand, Untied Two-step Loans (UTSL) are credit facilities which allow foreign banks to provide loans to Korea-related companies (KRC) or transacting companies (TC), and do not necessarily require underlying trade transactions with Korea.

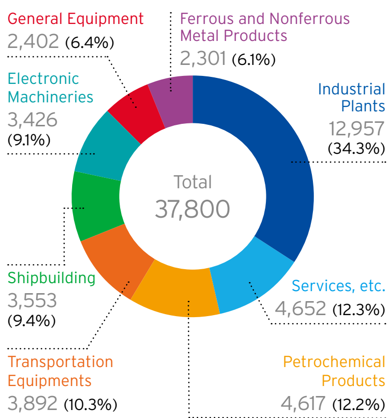
The amount disbursed under IELs and UTSLs jumped 21.8% to total KRW 1,832 billion (USD 1,673 million) in 2013 from KRW 1,505 billion (USD 1,335 million) in the previous year. This increase was mainly due to a surge in UTSL disbursements, which shot up 64.4% from KRW 821 billion (USD 729 million) to KRW 1,349 billion (USD 1,232 million) in 2013.

* Figures for UTSL disbursements have been incorporated into those for Overseas Investment Financing since 2013.

Disbursements in Export Financing
(KRW billion)



Disbursements by Industry [Export Financing]
(KRW billion)



In 2013, six credit lines totaling USD 260 million were newly established with banks in five countries, including Development Bank of Southern Africa in South Africa and Housing Bank for Trade and Finance in Jordan. The total volume of credit lines extended as of the end of 2013 stood at USD 4,894 million for 42 banks in 21 countries. Major clients of this program include creditworthy banks in emerging countries such as Russia, India, and the Philippines.

Pre-Shipment Loans

Pre-Shipment Loans are a type of supplier credit, which are provided to exporters or manufacturers that need funding to produce export goods before delivery. Disbursements of Pre-Shipment Loans totaled KRW 11.2 trillion (USD 10.2 billion) during 2013, representing a 33.3% increase from the previous year's KRW 8.4 trillion (USD 7.4 billion).

Trade Financing

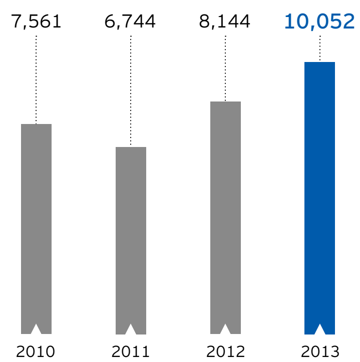
The amount of Trade Financing had surged 31.9% over the three years preceding 2013. Due to this base effect, the total amount of Trade Financing provided in 2013 fell 30.2% year-on-year to KRW 10.7 trillion (USD 9.8 billion). Disbursements under Export Factoring facilities decreased 21.4% since some of the major factoring credit lines had been terminated due to the weakened financial status of the importers, reflecting the slow pace of the global economic recovery. In addition, forfaiting disbursements dropped 16.1% from the previous year because of the declining use of L/Cs as a method of payment in international trade. Meanwhile, the Bank will continue to make its best efforts to support Korean exporters by providing short-term trade financing services especially for SMEs.

Overseas Investment Financing

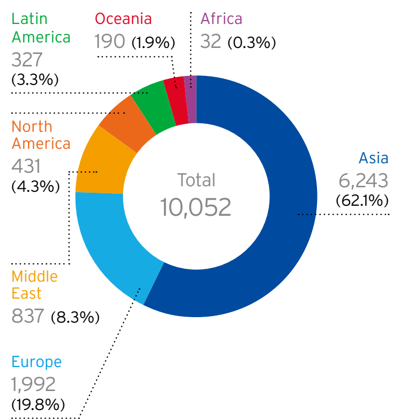
Overseas Investment Financing may be categorized into Overseas Investment Loans, Overseas Project Loans, Overseas Business Loans, etc. Whereas Overseas Investment Loans and Overseas Project Loans are provided to Korean companies doing business abroad, Overseas Business Loans are extended directly to foreign companies in which Korean companies have an equity share.

In 2013, disbursements in Overseas Investment Financing climbed 23.4% to KRW 10.1 trillion (USD 9.2 billion), mainly driven by an increase in Overseas Business Loans. By region, Asia received the largest portion with 62.1%, followed by Europe (19.8%) and Middle East (8.3%).

Disbursements in Overseas Investment Financing (KRW billion)



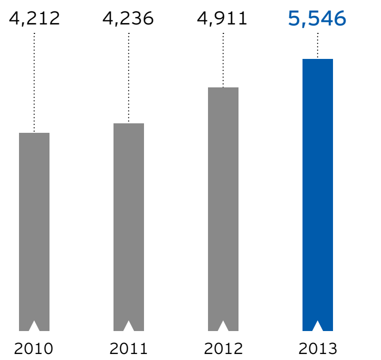
Disbursements by Region [Overseas Investment Financing] (KRW billion)



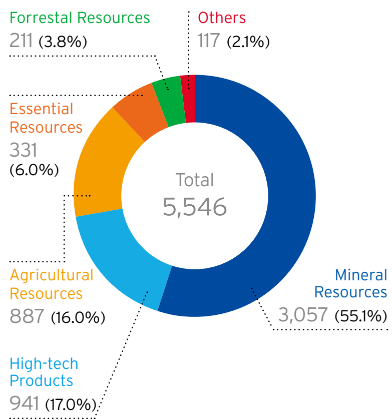
Import Financing

Import Financing is 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 Financing have reached KRW 5.5 trillion (USD 5.1 billion), a 12.9% increase from 2012. Mineral resources accounted for 55.1% of total disbursements with KRW 3,057 billion (USD 2,794 million), followed by high-tech resources with 17.0% or KRW 941 billion (USD 859 million), and agricultural resources with 16.0% or KRW 887 billion (USD 811 million). Regionally, imports from Asia (36.4%) received the most financing support, followed by North America (28.8%) and Latin America (10.0%).

Disbursements in Import Financing
(KRW billion)



Disbursements by Import Item [Import Financing]
(KRW billion)



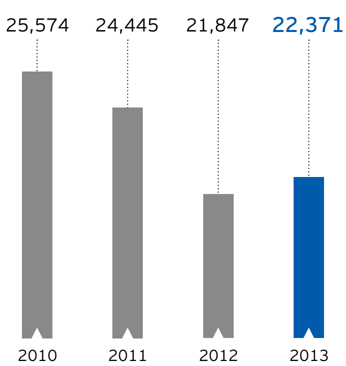
Guarantees

The Bank provides foreign buyers 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 2013, the disbursed amount of Project-Related Guarantees remained at a similar level to the previous year at KRW 17.4 trillion (USD 15.9 billion).

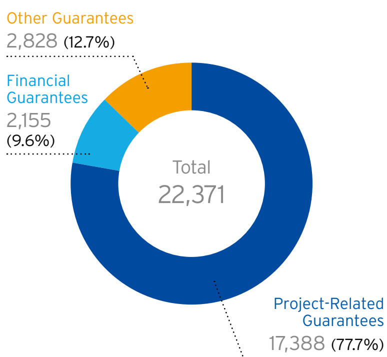
In addition, the Bank provides Financial Guarantees to Korean commercial banks, local branches of foreign banks, and foreign banks extending loans to projects that are co-financed with Korea Eximbank. Financial Guarantees usually serve to complement the Bank's loans in project finance or structured finance deals. While its growth rate has fallen compared to the previous year, Financial Guarantees disbursed in 2013 increased 16.8% to KRW 2.2 trillion (USD 2.0 billion).

Other guarantees including L/C Confirmations, Import L/Cs, and guarantees provided to the Bank's overseas subsidiaries exhibited an increase of 9.1% to record KRW 2.8 trillion (USD 2.6 billion) compared to KRW 2.6 trillion (USD 2.3 billion) in the previous year.

Disbursements in Guarantees
(KRW billion)



Disbursements by Type of Guarantee
(KRW billion)



Major Player in the Project Finance Market

Having been named the "Global Multilateral of the Year" at the end of 2012 by the project finance magazine PFI (Project Finance International), Korea Eximbank continued to play a key role in the project finance (PF) market. In 2013, PF loans for a total of seven projects amounting to USD 4,744 million were approved by the Bank, providing a high level of liquidity at a time of scarce credit.

The Bank successfully mobilized the participation of commercial lenders in various landmark deals, including the UAE EMAL Phase II Project, Saudi Sadara Project, Vietnam Nghi Son Refinery and Petrochemical Project, and US Sabine Pass LNG Project, which have respectively clinched "Deal of the Year" titles awarded by PFI. The Bank's combined facilities of loans and guarantees for large-scale projects were acknowledged by the market as very effective financing tools.

In May 2013, the Bank decided to provide USD 400 million to the Saudi Sadara Project. This USD 19.3 billion project, which is the world's single largest petrochemical complex construction project to date, involves constructing a petrochemical manufacturing facility in Jubail Industrial City located in eastern Saudi Arabia. Given the symbolic importance of the project and the status of Saudi Arabia within the Middle East, the success of this project is anticipated to give a major boost to the position of Korean players in the GCC (Gulf Cooperation Council) region.

The Bank also contributed USD 750 million in financing to US's Sabine Pass LNG Project, which involves building an LNG terminal with four trains in the Gulf of Mexico in Louisiana, to build and operate a natural gas liquefaction facility with an annual production capacity of 18 million tons. This USD 12.6 billion project was especially notable in that four government-mandated financial institutions including the Bank partnered up with six Korean commercial banks to participate jointly in an overseas project for the first time in history. Korea will be able to secure energy resources at a much lower price than before by seizing the opportunity presented by the US's first-ever LNG export project.

In July 2013, Britain's world-renowned finance journal Trade Finance Magazine (TFM) presented the Best Asia-Pacific ECA of the Year award to Korea Eximbank for the second time since 2010. TFM recognized the Bank's role in facilitating the activities of Korean companies overseas by greatly expanding the volume of export finance, including project financing, at a time when ECAs and commercial banks in the developed world are reducing their exposure in the wake of the eurozone crisis.

Furthermore, the Korea Consulting Center for Overseas Infra & Plant Projects (KoCC) opened its doors at the headquarters of Korea Eximbank at the end of 2013, to provide information on overseas projects and to offer government policy-based financing to Korean construction and engineering companies seeking participation in such projects. It is staffed by some 20 personnel dispatched mainly by Korea Eximbank, but also by K-sure, KDB, International Contractors Association of Korea (ICAK), and Korea Plant Industries Association (KOPIA). KoCC will play an integral role in promoting Korean participation in overseas construction, providing such services as assistance with project planning and structuring, financial arrangement, and financial advice in a one-stop package to companies eyeing project opportunities abroad.

Major PF Projects Approved in 2013

(USD million)

Name	Total Project Cost	Approved Amount		Total Approved Amount
		(Loans)	(Guarantees)	
Indonesia Off-gas Power Plant Project	277	107	87	194
UAE EMAL Phase II Project	4,482	240	60	300
Saudi Sadara Project	19,333	320	80	400
Vietnam Nghi Son Refinery and Petrochemical Project	8,995	660	440	1,100
US Sabine Pass LNG Project	12,582	420	330	750
Australia Roy Hill Iron Ore Project	12,037	550	450	1,000
Saudi Ma'aden WAS Phosphate Project	6,671	800	200	1,000
Total				**4,744**

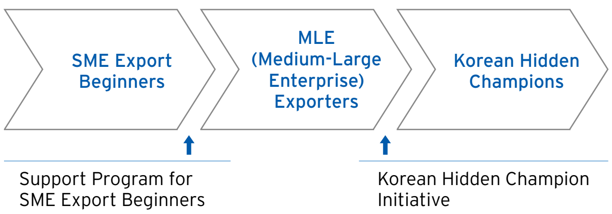
Support for SMEs

Overview of Support for SMEs

In line with the Korean government's efforts to strengthen the competitiveness of Small and Medium Enterprises (SMEs), Korea Eximbank 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 (KRW 8,911 billion or USD 8,139 million, 38.1%) and Trade Financing (KRW 2,744 billion or USD 2,506 million, 11.7%). Total loan disbursements to SMEs in 2013 amounted to KRW 23.4 trillion (USD 21.4 billion), accounting for 43.8% of total loans provided by the Bank. The total disbursed volume of credits, including loans and guarantees, extended to SMEs represented 33.6% of the Bank's total credits.

In addition, to successfully support SMEs, the Bank has established the SME Support Department in 2013. Through this department, the Bank plans and coordinates SME policies and credits. As its inaugural measure, the department launched the 'Support Program for SME Export Beginners' to complete a system of support optimized to each stage of the growth of SMEs. The department also oversees the Shared Growth Program and the Korean Hidden Champion Initiative as strategic schemes to enhance the SME base of the Korean economy. The Shared Growth Program is designed to foster an economic environment where large companies and SMEs can grow together as genuine partners. Under the Korean Hidden Champion Initiative, selected companies receive both financial and non-financial forms of assistance aimed at incubating globally competitive SMEs.

<Support System Covering Each Stage of SME Growth>



Support Program for SME Export Beginners

The Support Program for SME Export Beginners is aimed at providing a launch pad for SME exporters whose sales in direct exports are below USD 1 million — SMEs that only recently began to export their own products directly to the global market.

To increase the efficiency of the program, the Bank formed a collaborative relationship with other institutions such as the Korea International Trade Association (KITA). Sharing databases with such institutions and providing joint non-financial services has added effectiveness to the program.

The anticipated benefit of the program is to enable SME exporters to reach a critical mass of export volume required to compete with global rivals. To maximize results, the Bank is offering various forms of financial and non-financial assistance to SME export beginners. Along with the Korean Hidden Champion Initiative, the Support Program for SME Export Beginners completes a customized supporting system to enhance the competitiveness of SMEs in the process of globalization. The system is designed to assist the capacity-building of SMEs at each stage of their development into global players.

In 2013, the Bank held a total of 11 roundtable meetings and briefing sessions to inform SME exporters on the benefits of the program. A total of KRW 98.9 billion in financing has been provided to SMEs participating in the program.

For 2014, the Bank plans to further expand support for fledgling SME exporters. New candidates will be screened and added to the program through the sharing of updated SME data with other institutions, and a total of KRW 120 billion in financing will be extended to eligible SMEs. The Bank also will continue holding roundtable meetings and briefing sessions to attract new participants.

Signing of MOU with the Korea International Trade Association on "Transformation of Domestic Market-based SMEs into Exporting SMEs and Development of SME Exporters"

Shared Growth Program

"Shared Growth" refers to the collaborative efforts between large companies and SMEs to identify and support SMEs with high growth 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 Loans and Project-Related Guarantees for their SME partners supplying them certain designated items for their export projects.

The Bank also provides Pre-shipment Loans 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.

Roundtable Meeting held with CEOs of SME Exporters in Busan and Kyungnam Area

Main Achievements in 2013

46 Shared Growth MOUs Signed with Leading Korean Companies So Far — Since the establishment of the Shared Growth Support Office (merged into the SME Support Department), which oversaw the implementation of this program, the Bank has successfully enlisted the participation of major companies in the program. Including six companies that newly joined in 2013, a total of 46 Shared Growth MOUs have been signed 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 2013.

Provision of KRW 2.3 trillion to Support SMEs — During 2013, the second year since the Global PaSS Program kicked into motion, the Bank provided a total of KRW 2.3 trillion to support SME exporters entering overseas markets in partnership with large corporations or supplying goods and services to such companies. Specifically, KRW 1,171 billion and KRW 1,150 billion were provided under the Partnership in Overseas Business Program and the Sustainable Growth with SMEs Program, respectively.

18 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 18 roundtable meetings and briefing sessions in 2013.

Plans for 2014

Provision of KRW 2.4 trillion Through the Shared Growth Program in 2014 — Korea Eximbank plans to provide a total of KRW 2.4 trillion in support through the Shared Growth Program in 2014, 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.

New Guarantee Program to be Launched in 2014 — To support overseas projects, in which large corporations and SMEs participate collaboratively, the Bank will launch a new guarantee program (tentatively named the Shared Growth Program).

* 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)

Korean Hidden Champion Initiative

Korea has an unbalanced corporate ecology, with a few large enterprises at the top, a number of medium-large companies in the middle, and the vast majority of SMEs at the bottom. Although SMEs accounted for 99.9% of the total number of enterprises and 86.9% of total employment in Korea in 2011, they only accounted for 18.3% 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 October 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 develop a product ranking within the top five in terms of global market share, or if their annual sales exceed KRW 1 trillion (approx. USD 1 billion) and their exports account for more than 50% of their sales.

In 2013, the Bank selected 55 SMEs as Hidden Champion candidates (cumulative total: 302 candidates as of the end of 2013) and provided KRW 7.9 trillion in financing, an increase of over 50% compared to KRW 5.1 trillion in 2012. For 2014, the Bank plans to provide KRW 8.0 trillion in financing to Hidden Champion candidates.

In addition to financial support, Hidden Champion candidates have also received non-financial services in four areas: advice and consulting, recruiting and training, entering and developing overseas markets, and market research. In 2013, the Bank introduced new non-financial services such as the Hidden Champion Job Portal (matching job seekers with SME employers), the Hidden Champion Academy (training program for working-level staff of SMEs), the Hidden Champion News Letter to improve the quality of services, and performed more than 1,000 non-financial services for candidates. For 2014, the Bank plans to further strengthen its non-financial services uniquely tailored to the needs of Hidden Champion candidates.

Korea Eximbank's firm, dedicated support resulted in the birth of eight new Korean Hidden Champions in 2013 (out of a cumulative total of 15 Korean Hidden Champions as of the end of 2013). They maintain sustainable market dominance in their respective sectors and also boast superior technology and outstanding financial performances (average number of patents: 116 / average sales: KRW 642 billion / average exports: KRW 492 billion). The Bank expects more candidates to join the ranks of Korean Hidden Champions in 2014.

Through the Korean Hidden Champion Initiative, Korea Eximbank hopes to set up a ladder of growth that will empower SMEs to claim their rightful place in the Korean economy, ultimately to foster a more sustainable and balanced business ecosystem.

Ceremony to Officially Recognize Eight New Korean Hidden Champions in 2013

8 Newborn Korean Hidden Champions in 2013
(KRW billion)

Company Name	Main Products	Sales (2012)	Exports (2012)	Ranking*
TOVIS Co., Ltd.	Industrial Monitor	353	337	2
DONGJIN SEMICHEM Co., Ltd.	Semiconductor Chemicals	527	430	4
LUMENS Co., Ltd.	LED-BLU	487	423	4
SOULBRAIN Co., Ltd.	Semiconductor Chemicals	585	347	3
KOREA FLANGE Co., Ltd.	Automotive Parts	647	343	5
S-MAC Co., Ltd.	Touch Screen Module	448	436	5
SUNGWOO HITECH Co., Ltd.	Automotive Parts	1,011	540	–
HANSAE Co., Ltd.	Clothes (ODM)	1,076	1,076	–

* Ranking in terms of global market share of a specific product

Support for Creative Industries and Natural Resources Sector

Creative Industries

In line with the Korean government's vision to develop the creative economy, which involves the convergence of creative ideas with ICT to generate high-quality jobs, Korea Eximbank selected the knowledge services, cultural contents, healthcare, and climate change mitigation sectors as creative industries to be nurtured.

Much of the Bank's effort to support creative industries has been dedicated to the promotion of exports of intangible assets such as films, games, and software through a wide range of financial products, as well as to the provision of climate finance.

In the year of 2013, the Bank's loan and guarantee disbursements to creative industries amounted to a total of KRW 2,310.2 billion (USD 2,109.8 million). By sector, the knowledge services industry including telecommunications and system integration received KRW 377.8 billion in 2013 compared to KRW 334.3 billion in 2012. Cultural contents received 50% more support than the previous year to record KRW 205.3 billion and financing for the healthcare industry grew 0.6% to total KRW 366.3 billion in 2013. Climate finance, by contrast, decreased 26.8% to KRW 1,360.8 billion in 2013, due to a fall in the climate change industry's exports caused by economic recession in the developed markets.

In 2014, Korea Eximbank plans to provide KRW 2,500 billion in credit for creative industries, an 8.2% increase from the previous year. The Bank will seek to bolster Korea's exports and global market share in creative industry sectors through the provision of specialized, tailored financing incorporating Export Financing, Overseas Investment Financing, Import Financing, and Guarantees.

Two Cultural Contents Projects Supported by Korea Eximbank, the Movie, "The Nut Job" and the Animated Series, "Larva"

Natural Resources Sector

In order to secure a stable supply of energy resources and other strategically important resources to Korea, the Bank provides Natural Resources Financing to Korean companies or foreign companies with Korean equity shares conducting exploration, development, and production of natural resources outside Korea. In 2013, commitments and disbursements to the natural resources sector amounted to KRW 3,316 billion (USD 3,028 million) and KRW 1,508 billion (USD 1,377 million), respectively.

In December 2013, the Bank decided to provide USD 1 billion through a mixture of direct loans and guarantees to Australia's Roy Hill Iron Ore Project, an iron ore mining and rail & port project to be developed in the Pilbara region of Western Australia. The USD 12 billion project is led to a considerable extent by Korean companies, with POSCO participating as sponsor and off-taker and Samsung C&T as EPC contractor. This project reaffirms the competitiveness and technological leadership of Korean EPC firms and will serve as an opportunity for Korean companies to build global presence in the mining sector.

In 2014, Korea Eximbank plans to provide KRW 3,000 billion in credit for the natural resources sector, a 98.9% increase from the previous year.

Construction Site of Roy Hill Iron Ore Project in Australia

Financial Advisory & Structuring Services

In an effort to strengthen its advisory role and better support the global ambitions of Korean firms, Korea Eximbank launched the Investment Banking Office in July 2011, utilizing its deep industry knowledge and experience accumulated through more than 30 years of providing export credit.

In 2012, with the impact of the global financial crisis still lingering, Korea Eximbank boldly took further steps to expand its role and range of services by upgrading the office to the "Financial Advisory & Structuring (FA&S) Department," so that Korean exporters may benefit from more comprehensive and systematic support from the initial stage of projects they participate in and enhance their competitiveness in the increasingly complicated global market.

As a facilitator, the FA&S Department provides comprehensive financing and risk management services including financial advice, financial arrangement, and equity participation to Korean firms involved in overseas projects as exporters, investors, and natural resource developers.

Having won PFI's "Global Multilateral of the Year" award in 2012 and the "Deal of the Year" award for the US Sabine Pass LNG Project in 2013, the FA&S Department continued to build its excellent track record by actively participating in 16 PF/SF deals during 2013 — 8 deals as FA (financial advisor) and 8 more as MLA (mandated lead arranger) — covering industries from traditional to newly emerging sectors. Such energetic endeavors brought the cumulative project participation record of the FA&S Department to USD 39.8 billion for 31 projects as of the end of 2013.

In acting as Financial Advisor, the FA&S Department supported Korean companies participating in projects as equity investors as well as developers by providing value-adding insights and analyses, helping them develop credit-worthy and bankable financial structures for their projects. In 2013, the FA&S Department participated in projects covering a wide range of industries and regions, including an FLNG project in Israel, a transportation system project in Greece, and a thermal power project in Vietnam. Among them, the Vietnam thermal power project is notable in that it is set to become the first project to be financed by a combination of EDCF's ODA loan and Korea Eximbank's official export credit.

Furthermore, the FA&S Department actively enlisted the participation of Korean commercial banks in overseas projects with the aim of helping them hone their capabilities as independent arrangers or lenders in projects. In 2013, in its role as MLA, the FA&S Department was appointed to lead a remarkable LNG project in the US, which involved the construction of four LNG liquefaction trains. The FA&S Department successfully brought on board six Korean commercial banks, which were facing the challenges of sustaining profitability in the face of ever-narrowing margins

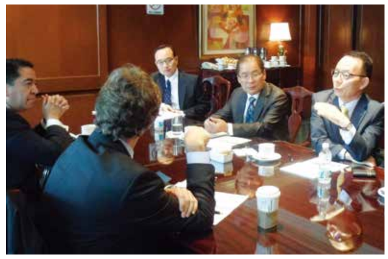
Signing of MOUs with Senaat General Holding Corporation (UAE) and Total (France), Respectively


Photo taken in Commemoration of the Financial Closing of the US Sabine Pass LNG Project

in the domestic market, under a Korea Eximbank-guaranteed loan in the aggregate amount of approximately USD 330 million, and led the project to successful financial close in June 2013.

While offering financial support to Korean companies, the FA&S Department also made constant effort in strengthening and broadening its global network.

As part of its proactive marketing plan, the FA&S Department organized an IR trip to the Middle East and Latin America in April and July 2013, respectively, with the aim of exploring new business opportunities as well as strengthening its relationships with major sponsors, financial institutions, and government agencies. During those trips, the Korea Eximbank delegation visited eight countries: Turkey, Saudi Arabia, UAE, Qatar, Mexico, Chile, Brazil, and the US. In each of those countries, the delegation was able to forge crucial ties with new and existing partners. Along the way, the delegation also organized a conference for Korean companies operating in those countries to identify challenges in doing business in their local markets.



Visit to Mexican State-Owned Bank, Bancomext, during an IR trip to Latin America

In responding to the upheaval in LNG markets wrought by the shale gas revolution, the FA&S Department also hosted a conference on LNG projects in the US in December, along with the renowned international law firm Norton Rose Fulbright and investment bank Société Générale, to discuss the opportunities and challenges of implementing LNG projects. The conference offered key insights for the successful implementation of projects in the LNG sector. It also helped to publicize Korea Eximbank's financial instruments that can be mobilized in support of LNG projects. Through the conference, the FA&S Department successfully raised awareness on its services, enabling Korean and US players alike to maximize opportunities presented by the shale gas boom.

Hosting of Korea-North American LNG Conference 2013 in Houston, USA

In 2014, the FA&S Department will strive to build on this momentum by introducing its equity investment program, designed to attract resources and investment from the private sector by mitigating and assuming risks inherent in projects. The FA&S Department will continue its relentless pursuit of project opportunities for Korean companies by offering comprehensive packages of financial services that draw on its extensive global network and close collaboration with the Korean government as well as Korea Eximbank's credit departments.

Sources of Funds

Korea Eximbank raised a total of KRW 58.2 trillion in 2013, a 9.2% increase from the previous year's total of KRW 53.3 trillion. KRW 19.2 trillion of the funds raised over the last year 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 2013, Korea Eximbank raised a total of KRW 10.6 trillion (USD 10 billion) in overseas capital markets. The Bank has set a new milestone in Korea's history of foreign currency debt issuance by becoming the first Asian institution to successfully issue a global Green Bond in February 2013.

In September, the Bank successfully issued a USD 1 billion dual-tranche Global Bond, consisting of 3-year and 5-year maturities with USD 500 million each. Korea Eximbank captured the recent surge in demand for floating rate notes while also securing demand for 5-year notes, demonstrating the Bank's receptiveness to market movements especially against the backdrop of a potential tapering of the Fed's quantitative easing program. Through such issuance activities, Korea Eximbank achieved favorable pricing and reaffirmed its position as the benchmark Korean issuer in the global capital market.

2013 Round Table Conference for Enhanced Partnership with Leading Financial Institutions

Throughout 2013, Korea Eximbank has diversified its funding sources by using inter-bank loans as well as tapping into non-dollar niche markets. Specifically, the Bank successfully opened its first GBP 300 million Bulldog Bond, followed by a re-opened EUR 1 billion Public Euro-denominated bond. Both transactions represented the first public issuances by a Korean institution in their respective currency markets since the 2008 global financial crisis. In addition, the Bank successfully raised THB 10 billion through a baht-denominated bond, at a lower price than USD issuances. Meanwhile, the Bank secured a USD 500 million term loan facility from Mizuho Bank, Ltd., which was the largest and longest-term inter-bank loan facility ever.

Signing Ceremony for USD 500 Million Term Loan Facility with Mizuho Bank, Ltd.

In the domestic bond market, Korea Eximbank also enlarged its presence as a major issuer by raising a total of KRW 8,080 billion including KRW 6,370 billion through straight bonds, KRW 1,270 billion through floating rate bonds, and KRW 440 billion through structured callable bonds in 2013. Most notably, the Bank increased the volume of 15-year structured callable bonds, which allow issuers to redeem their debt before maturity, to KRW 440 billion in order to reduce funding costs and satisfy the diversified appetites of the Bank's bond market investors.

Meanwhile, the Korean government made a capital injection amounting to KRW 100 billion in 2013 such that the Bank's accumulated paid-in capital stood at KRW 7,238 billion as of the end of the year. For the past five years, continued capital injections totaling KRW 3,279 billion have been made in order to support the Bank's role as a policy arm of the government. It is also noteworthy that the Bank's paid-in capital ceiling has been raised from KRW 8 trillion to KRW 15 trillion following the amendment of The Export-Import Bank of Korea Act at the end of 2013.

Financial Status

The financial statements of Korea Eximbank are in accordance with Korean International Financial Reporting Standards (K-IFRS, consolidated financial statements).

Assets and Liabilities

At the end of 2013, Korea Eximbank's total assets reached KRW 61.4 trillion, an 11.6% increase from the previous year's total of KRW 55.0 trillion. This increase was mostly due to an increase in loan receivables and reserves.

Total liabilities amounted to KRW 52.2 trillion, up 13.7% from the previous year's total of KRW 45.9 trillion, due to an increase of the borrowings.

Stockholder equity rose 1.9% from the previous year's total of KRW 9,078 billion to stand at KRW 9,250 billion. This is attributable to a KRW 100 billion capital injection from the Korean government and a rise of KRW 77 billion in net income.

Revenues and Expenses

The Bank's operating income for 2013 stood at KRW 87 billion, down 82.5% from the previous year's total of KRW 498 billion. This was mainly due to an increase in the Bank's provision for credit losses, which increased by 63.6% to KRW 627 billion. Net interest income and net commission income increased by 13.7% and 17.9% to KRW 391 billion and 341 billion, respectively. Meanwhile, the Bank's income tax decreased to KRW 19 billion. As a result, the Bank's net income totaled KRW 77 billion, down KRW 314 billion from the previous year's total of KRW 391 billion.

Financial Status 2011-2013

(KRW billion)

	2011 (*)	2012 (**)	2013 (**)
Assets	55,579	54,961	61,404
Liabilities	48,066	45,884	52,154
Stockholder Equity	7,513	9,078	9,250
Operating Income	159	498	87
Net Interest Income	352	344	391
Net Commission Income	276	289	341
Net Income	147	391	77

The date of transition to K-IFRS is January 1, 2012.
(*) In accordance with Korean Generally Accepted Accounting Principles (K-GAPP, consolidated financial statements).
(**) In accordance with Korean International Financial Reporting Standards (K-IFRS, consolidated financial statements).

Government Account Activities – EDCF

Korea Eximbank continued to operate the government-entrusted Economic Development Cooperation Fund (EDCF) in 2013 with a single-minded focus on helping developing countries achieve economic takeoff and social welfare.

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, 2013, EDCF raised a total of KRW 3,385 billion and disbursed a total of KRW 4,436 billion, reaching a cumulative loan commitment volume of KRW 10,152 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

Recent international forums such as G20, HLF-4, and Post-MDG discussion indicate that the international aid paradigm is shifting towards stressing development effectiveness over aid effectiveness as the ultimate objective of development cooperation. In particular, the importance of effective financing for development in helping developing countries achieve self-sustaining growth has been steadily emphasized in international development cooperation because relying solely on traditional ODA is not sufficient enough to raise funds for development today. This is also a relevant topic to the UN Millennium Development Goals (MDGs) and post-2015 development agenda that discuss the need to raise funding for sustainable development.

Snapshot of the 4th Asian Development Forum

It is pointed out that to implement effective development cooperation, increasing not only traditional ODA but development-related financing itself to flow into the developing countries is important and that such development financing must play a key role in promoting the developing country's growth. This is more so given donor countries are facing long-term economic recessions caused by the global financial crisis as well as limited aid resources due to fiscal deteriorations. In this context, the role of development finance will increasingly be stressed in overcoming the limits of ODA by utilizing private partnerships and various financial tools.

EDCF Policies and Directions

Despite the global fiscal difficulties, EDCF has steadily continued to increase its ODA and successfully carried out major tasks to enhance development effectiveness, meeting the rapidly increasing development demands of the developing countries according to the recent international discussions on development stressing the importance of the fundamental elimination of poverty through economic growth.

Participants of the 17th EDCF Annual Workshop for Government Officials from Partner Countries

In accordance with its objective of promoting economic development of the partner countries and building mutual cooperation, EDCF is dedicated to providing support for infrastructure development by diversifying development resources and support programs, helping the developing countries to achieve sustainable growth. Furthermore, EDCF has developed support plans by region/country to enhance aid efficiency and implement tailor-made support programs. It aims at enhancing development effectiveness based on coordinated efforts with other Korean and international aid institutions while taking a leading role in international development cooperation.

Main Achievements of EDCF in 2013

According to its plans to advance international development cooperation efforts, EDCF has identified and supported socio-economic infrastructure projects in developing countries in which it has comparative advantage, made improvements to its aid system to effectively overhaul it, and strengthened global cooperation. By doing so, EDCF achieved both quantitative and qualitative growth in 2013.

Increased Support for Strategic Projects

ODA volume growth & strategic allocation of resources — In 2013, EDCF has approved 21 new projects that are mostly large-scale infrastructure projects, totaling KRW 1,279 billion (USD 1,200 million). Total disbursements reached KRW 614.8 billion, a 6.4% increase year-on-year. The numbers indicate that EDCF has contributed to achieving the government's goal to increasing the ODA volume. Taking into account the potential for economic cooperation and degree of poverty, EDCF maintained its focus on Asian countries while diversifying regional support to Africa and Latin America at the same time. By completing the Country Partnership Strategies (CPS) unifying strategies for loans and grants for 12 countries such as Laos and Mozambique, EDCF has completed the development of country partnership strategies for 26 priority partner countries and strengthened cooperation with them by holding policy dialogues.

Implementation of large-scale infrastructure projects, public-private partnerships (PPP), and EDCF guarantee program — EDCF provides support when there is demand for development from a recipient country. The recent trends indicate that requests for large-scale infrastructure projects such as transportation and water resource development have been on the rise in line with the economic development phase of a developing country. In 2013, EDCF made loan commitments for four projects worth more than USD 100 million each: the Hung Ha Bridge Construction Project in Vietnam, 21st Century Uzbekistan-Korea Friendship Children's Hospital Project in the Uzbekistan, Modjo-Hawassa Highway Project in Ethiopia, and 500kV Taungoo-Kamanat Transmission Line Project in Myanmar. Moreover, to efficiently implement large-scale projects, EDCF has identified and launched development projects to be financed through public-private partnerships (PPP) and EDCF guarantee program.

Construction Site of Rural Roads Improvement Project II in Cambodia

Resumption of ODA to Myanmar — In 2005, EDCF suspended its ODA to Myanmar according to the international community's sanctions against the country in the wake of a military coup. However, as the military rule has ended in Myanmar and democratic reforms have been steadily taking place, EDCF decided to resume its ODA to Myanmar in 2011. As a result, in 2013, EDCF made loan commitments for two projects in Myanmar: IT Infra-Network Expansion Project and 500kV Taungoo-Kamanat Transmission Line Project. Due to the economic sanctions and reign of the military government, Myanmar has been suffering from the lack of infrastructure such as electric power, transportation, and communications. Taking into account Myanmar's development demand and potential for economic cooperation, EDCF plans to finance USD 500 million to Myanmar for five years from 2013 to 2017.

Construction Site of 500kV Taungoo-Kamanat Transmission Line Project in Myanmar

Project Meeting and Site Visit for Pampanga Bay Project in the Philippines

Country programming and diversification of sectoral support — The newly established Program Team in EDCF became in charge of developing country programs in 2013. Accordingly, the Program Team has developed mid-term country strategies to support developing countries in an efficient way with limited resources. More specifically, it developed optimal mid-term rolling plans for the partner countries and set up strategic portfolios that meet EDCF policy objectives, bringing about synergy and better coordination between projects. For example, the Program Team sent country program missions to the Philippines, Myanmar, and Colombia in 2013 whereby it preemptively identified mid-term candidate projects that meet the partner country's development demand and help facilitate bilateral economic cooperation. Furthermore, EDCF provided support for various other sectors such as public administration, green growth, and renewable energy, contributing to building a stronger foundation for the partner countries to achieve sustainable growth.

Improvement of the EDCF Support System

Overhauling the development finance support mechanism — To meet the growing demands for infrastructure investments in developing countries and transfer Korea's development experience, there is a rising need to diversify development resources. In order to support the infrastructure development of a partner country in an efficient way, EDCF is working on providing custom-made financial support utilizing loans, guarantees, and quasi-commercial loans to meet the partner country's demand. In particular, EDCF has revamped its regulations to introduce the EDCF guarantee program, paving the way for identifying new projects. EDCF has also developed strategies to facilitate development finance to enhance economic cooperation with the developing countries.

Promoting joint projects with relevant agencies — Along with the individual EDCF projects, EDCF has proactively engaged in joint projects linking concessional loans and grants by participating in inter-agency coordination meetings with relevant aid authorities. Furthermore, EDCF has been making efforts to use the limited ODA resources in an efficient way by enhancing coordination with other Korean and international aid agencies. For example, it supported the second Support Program to Respond to Climate Change (SP-RCC) in Vietnam by co-financing it with the World Bank and Japan International Cooperation Agency (JICA). Likewise, EDCF plans to co-finance road development projects in Ethiopia and Cambodia with AfDB and ADB.

Upgrading the EDCF evaluation process — Since OECD DAC has recommended that joint evaluations by donors and partner countries be conducted, EDCF conducted a total of eight joint evaluations with KOICA and partner countries such as Vietnam and the Philippines in order to improve transparency and objectivity of the evaluation results. Furthermore, by establishing a systematic evaluation feedback process, EDCF is able to provide donors and partner countries with constructive advice on development policy directions.

Snapshot of the Global Forum on Using Country Systems to Manage Climate Change Finance, Korea

Strengthened Global Collaboration

Global forum on climate finance hosted in Incheon — The Global Forum on Using Country Systems to Manage Climate Change Finance was co-hosted by EDCF, the Korean Ministry of Strategy and Finance, UNDP, OECD, and CSO Partnership for Development Effectiveness during the Climate Finance Week, coinciding with the launch of the Green Climate Fund (GCF) headquarters in Songdo, Incheon. 150 participants representing government officials, the EU, the World Bank, international institutions, and civil society took part in this forum, discussing ways to effectively manage the increasing climate finance. This forum kicked off the international discussion on using climate finance to tackle climate change in earnest expecting to contribute to the GCF's global efforts in addressing climate change.

Partnerships with other donor institutions — EDCF co-hosted the 3rd Four Parties Meeting with China, Japan, and Thailand on August 26, 2013 to discuss cooperation on financing for development such as providing development finance to support development aid projects in the Asian region. Moreover, EDCF hosted the seminar on evaluating development effectiveness jointly with OECD, introducing new evaluation measures in addition to DAC's five evaluation criteria for the first time among DAC countries. In addition, EDCF also established regular consultation channels with ODA agencies of major donor countries such as Japan (JICA), France (AFD), and Germany (KfW), further enhancing its global networks.

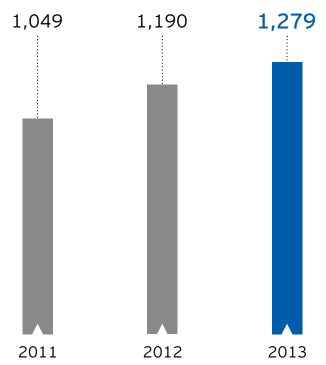
Commitments & Disbursements of EDCF in 2013

EDCF took further steps to more effectively promote development cooperation with partner countries and eradicate poverty in developing countries, a daunting challenge facing the international community. EDCF loan commitments for the year reached KRW 1,279 billion (USD 1,200 million) including loan commitments for four large-scale infra-structure projects worth more than USD 100 million. EDCF loan disbursements in 2013 increased 6.4% year-on-year to KRW 615 billion. In accordance with the Korean government's ODA expansion plan, this trend is expected to continue into the future.

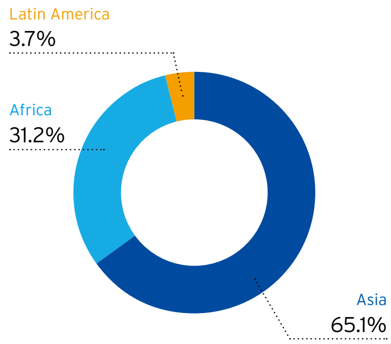
Loan Commitments

EDCF committed KRW 1,279 billion (USD 1,200 million) in new loans to 21 projects in 13 countries during 2013. As of the end of 2013, cumulative EDCF commitments reached KRW 10,152 billion (USD 9,434 million) for 311 projects in 52 countries.

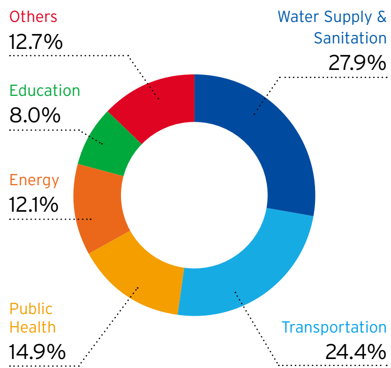
EDCF Loan Commitments
(KRW billion)



Loan Commitments by Region



Loan Commitments by Sector



Commitments by Region and Country — The largest portion of new commitments in 2013 was extended to Asia, reflecting Korea's close economic and diplomatic ties with many Asian countries. Loan commitments to Asian countries accounted for 65.1% of new loans for the year, with Asian countries occupying the positions of the top two recipients of EDCF loans. By country, Vietnam remained the largest recipient for seven consecutive years with a total commitment of KRW 230 billion. Myanmar ranked second, with KRW 166 billion, and Mozambique third, with KRW 132 billion. By region, Africa took second place with 31.2% of new commitments in 2013 going to the continent, reflecting EDCF's efforts to expand into Africa. Meanwhile, 3.7% of the year's commitments went to Latin America.

Commitments by Sector — New commitments in 2013 continued to support economic infrastructure in sectors such as transportation, energy, and communications accounting for 24.4%, 12.1%, and 4.7%, respectively, of total commitments. 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 & sanitation, public health, and education, which accounted for 27.9%, 14.9%, and 8.0%, respectively. Additionally, EDCF allocated a substantial portion of financial resources to sectors related to the environment (1.7%) in response to the increased demand of partner countries for action to address climate change and environmental degradation.

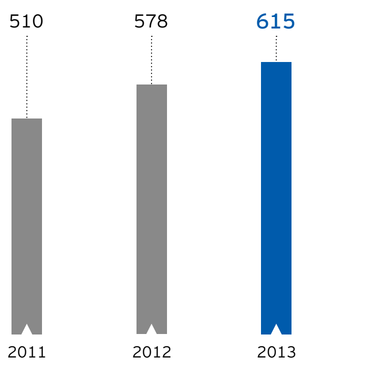
Loan Disbursements

Loan disbursements in 2013 totaled KRW 615 billion for 88 projects in 28 countries, representing a 6.4% 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 4,436 billion, or 43.7% of total commitments. Of the 311 projects for which loans were committed so far, 253 received disbursements. As of the end of 2013, the outstanding balance on EDCF loans totaled KRW 3,835 billion, approximately 16.5% more than the KRW 3,293 billion recorded at the end of 2012.

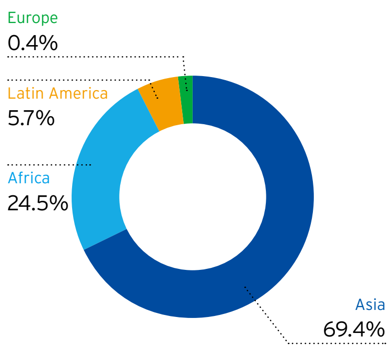
Loan Disbursements by Region and Country — By region, Asia (69.4%) was the largest borrower of the year, followed by Africa (24.5%) and Latin America (5.7%). By country, Vietnam was the largest borrower with KRW 197 billion, followed by Mozambique, Tanzania, and Sri Lanka.

Loan Disbursements by Sector — Of the total loan disbursements made in 2013, the transportation sector accounted for 43.1%, followed by energy (16.3%), water supply & sanitation (13.9%), and public health (11.7%). These loan disbursements provided support for economic development and helped to improve the quality of life in partner countries.

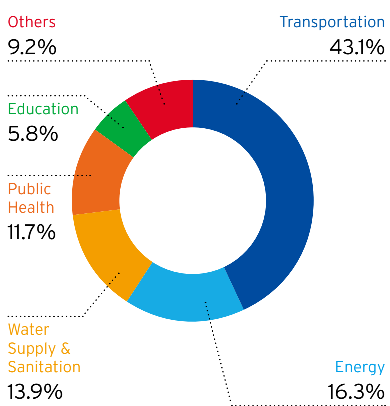
EDCF Loan Disbursements
(KRW billion)



Loan Disbursements by Region



Loan Disbursements by Sector



EDCF Funding Sources

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 profits from EDCF operations decreased in terms of volume and share.

In 2013, KRW 310 billion was newly allocated from the general budget account of the government to meet a surge in demand for loan disbursements. As of the end of 2013, accumulated EDCF resources totaled KRW 3,385 billion, an 8.2% increase year-on-year. Of this amount, 73.5% was obtained through transfers from the general budget account of the government, 16.6% through EDCF's operational profit and reserves, and the remaining 9.9% through borrowings from the Public Capital Management Fund.

Between 1989 and 2013, EDCF borrowed KRW 617 billion from the Public Capital Management Fund. Thus far, KRW 282 billion has been repaid, leaving an outstanding balance of KRW 335 billion.

The net profit of EDCF in 2013 totaled KRW △201.8 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 for subsidized loans and accumulated as provisions for subsidized loans. The recognition of cost and accumulation of provisions for subsidized loans is solely a matter of accounting methodology and does not reflect the actual operational performance of EDCF.

Sources of Fund*

(KRW million)

	2011	2012	2013
Contributions from Government	1,879,870 (67.1%)	2,178,845 (69.6%)	2,488,845 (73.5%)
Borrowings from Government	37,331 (1.3%)	180,332 (5.8%)	335,472 (9.9%)
Operational Profit and Reserves	883,988 (31.6%)	769,299 (24.6%)	560,462 (16.6%)
Total	**2,801,189 (100.0%)**	**3,128,476 (100.0%)**	**3,384,779 (100.0%)**

* Accumulated total at the end of each year

Government Account Activities – IKCF

Weathering the storm of tensions and uncertainties surrounding the Korean peninsula in 2013, the Inter-Korean Cooperation Fund (IKCF) focused on providing relief to companies affected by the shutdown of the Gaesong Industrial Complex, all the while quietly paving the road to a future of harmonious coexistence between the two Koreas.

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 the provision of humanitarian aid, loans, and insurance for inter-Korean business transactions. As of the end of 2013, the cumulative disbursement of IKCF aid stood at KRW 6,005 billion.

Inter-Korean Relations in 2013

When Park Geun-hye was elected as the president of South Korea, there were expectations for a softening of relations between the two Koreas. However, 2013 proved to be another disappointing year for inter-Korean relations and tensions escalated dramatically owing to the continuous provocations of the North. Throughout the year 2013, President Park's vision of implementing a policy of 'trust politik' toward North Korea remained in its embryonic stage.

Beginning with its third nuclear experiment in February, North Korea continued to escalate its threats against the South, announcing it would not honor the armistice of 1953 and hinting at a possible confrontation with South Korean forces. The rising inter-Korean tensions led to a temporary shutdown of the Gaesong Industrial Complex, a jointly-run industrial park in April. North Korea ordered its workers to vacate the factories, and the closure of the complex incurred significant costs to both sides.

The two Koreas seemed headed for a rapprochement again when an agreement was reached to reopen the complex and to hold a reunion event for families separated across the 38th Parallel during the Chuseok holidays in September. However, just before Chuseok, North Korea unilaterally delayed the event, leaving the fractured North-South relations still waiting to be mended.

In the second half of the year, North Korea concentrated on strengthening its internal unity, and relations with its southern neighbor as well as the rest of the world were thereby left neglected. In a bout of high-profile purges, North Korea executed Jang Sung-taek, the Vice Chairman of the National Defense Commission and an uncle of the leader Kim Jong-un. In the meantime, economic 'reforms' have been pursued with newfound vigor, with Pyongyang announcing plans to set up 13 special economic zones throughout the country.

Although the series of provocative actions carried out by the North in 2013 have aggravated political tensions between the two Koreas, the Inter-Korean Cooperation Fund (IKCF) has continued its ongoing efforts to provide assistance and support to North Korean compatriots.

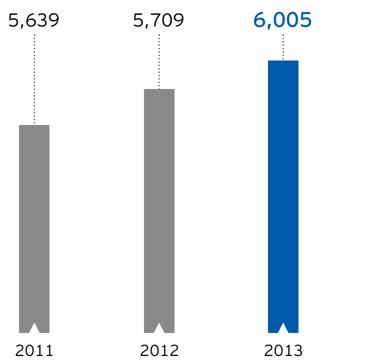
Evacuation of Korean Companies from Gaesong Industrial Complex

Emergency Center to Support Companies Invested in Gaesong Industrial Complex

Assistance Activities

In 2013, IKCF provided financial support totaling KRW 295.8 billion to 237 projects despite the tensions between two Koreas. The cumulative disbursement of IKCF aid since its establishment in 1991 stood at KRW 6,004.5 billion as of the end of 2013, up 5.2% from the previous year's total of KRW 5,708.7 billion.

Cumulative IKCF Disbursements
(KRW billion)



The lion's share (59.9%, KRW 177.1 billion) of IKCF aid in 2013 went to insurance coverage to companies participating in inter-Korean economic cooperation. IKCF also provided KRW 55.5 billion (18.8%) in loans to compensate for their losses caused by the unexpected shutdown of the Gaesong Industrial Complex.

The insurance program is designed to support companies investing in and trading with the North by compensating for losses caused by emergency situations 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.

9.0% (KRW 26.7 billion) of IKCF's resources were provided to projects facilitating economic cooperation between the two Koreas. KRW 14.3 billion of this amount went to funding the establishment of an international youth center that would educate youths on peaceful unification and run cultural exchange programs. IKCF also used 6.4% (KRW 19.1 billion) of its aid to support the Gaesong Industrial Complex, most of which was used for the maintenance of the Gaesong Industrial District Management Committee.

Another 5.9% (KRW 17.4 billion) went to humanitarian aid and cultural programs. IKCF extended KRW 15.3 billion to essential humanitarian assistance projects. In particular, KRW 13.3 billion of the amount was provided to assistance projects for infants and young children in North Korea through the WHO. Assistance for infants and young children such as vaccinations is a fundamental feature of humanitarian assistance to North Korea. IKCF also provided a total of KRW 2.0 billion for projects promoting social and cultural exchange.

IKCF Funding Sources

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 12.2 trillion as of the end of 2013. Of that amount, 38.0% (KRW 4.6 trillion) came from government contributions, 53.3% (KRW 6.5 trillion) from the Public Capital Management Fund, and 8.8% (KRW 1.1 trillion) from financial returns and other sources.

Of the total amount funded so far, KRW 6,004.5 billion was disbursed as grants (KRW 3,045.6 billion) and loans (KRW 2,958.9 billion). KRW 4,112.7 billion and KRW 1,204.3 billion were mainly used for the repayment of principal and interest to the Public Capital Management Fund. As of the end of 2013, IKCF reserves, including deposits and short and long-term financial investments, totaled KRW 806 billion.

Sources of Fund*

(KRW million)

	2011	2012	2013
Contributions from Government	4,396,400 (40.84%)	4,509,200 (39.74%)	4,614,700 (37.96%)
Private Contributions	2,479 (0.02%)	2,481 (0.02%)	2,484 (0.02%)
Borrowings from Government	5,545,174 (51.51%)	5,945,174 (52.39%)	6,475,174 (53.27%)
Operational Profit and Reserves	820,792 (7.62%)	890,177 (7.85%)	1,063,607 (8.75%)
Total	**10,764,845 (100%)**	**11,347,032 (100%)**	**12,155,965 (100%)**

* Accumulated total at the end of each year

Supporting Activities

As a leading official export credit agency, Korea Eximbank strives to expand its global presence by establishing stronger ties with international partner institutions, actively engaging in knowledge sharing activities, and holding high-profile international conferences and seminars.

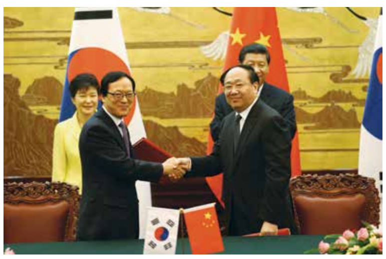
Enhancing Partnerships

Throughout 2013, Korea Eximbank devoted concerted efforts to reinforce its relationships with its partners and clients. Such endeavors are highlighted in the Bank's efforts to expand its global network by concluding a total of 24 agreements with multilateral development banks (MDBs), export credit agencies (ECAs), government organizations, and commercial banks. Concluded agreements include:

- Reciprocal Risk Participation Agreement (RRPA) with the Export-Import Bank of China to provide joint support in the form of loans and guarantees to Korean and Chinese companies that jointly enter third-country markets;
- Framework Cooperation Agreement with Mexico's state oil producer Petroleos Mexicanos (PEMEX), enabling Korea Eximbank to provide fuller support to Korean companies participating in new projects in Latin America;
- Memorandum of Understanding (MOU) with the European Bank for Reconstruction and Development (EBRD) on increasing cooperation regarding co-financing of projects in emerging markets in Eastern Europe, Central Asia, and North Africa; and
- MOU for the establishment of a Korean-Russian Co-investment Platform with Russia's state-owned Vnesheconombank (VEB), which is structured to financially support Korean companies investing or participating in projects identified jointly by the two institutions.

In order to further strengthen cooperation with its partners, the Bank entered into MOUs with government institutions such as UK Trade & Investment, PT. PLN (Indonesia), the State of Queensland (Australia), and the Ministry of Transport of Vietnam; and export credit agencies (ECAs) such as GIEK (Norway), Bancomext (Mexico), and UK Export Finance. In addition, agreements were signed with international banks such as Société Générale and Barclays to support major projects in strategic industries such as natural resources or infrastructure in which Korean companies participate.

The Bank also continued to build presence in diverse corners of the world. Agreements with Banque Saudi Fransi, General Holding Corporation PJSC, Union National Bank (United Arab Emirates), the Islamic Development Bank Group, Akbank (Turkey), and Gulf Bank (Kuwait) were concluded in order to exchange information and promote co-financing of projects.



RRPA Signing Ceremony with the Export-Import Bank of China

MOU Signing Ceremony with Petroleos Mexicanos (PEMEX)

Conferences and Seminars

In 2013, Korea Eximbank hosted and organized a number of meaningful events and conferences covering diverse regions.

• Korea Eximbank MENA Conference 2013

In April, the Bank hosted the Korea Eximbank Middle East and North Africa (MENA) Conference 2013 under the theme of "Changing Dynamics of MENA," inviting major project sponsors and financiers from the MENA region for the second consecutive year. The conference was also attended by delegates from major Korean builders, relevant business associations, international law firms, and global investment banks. The conference was focused on the dramatic increase in large-scale projects in MENA driven by oil revenues and on the turn to sustainable energy by many governments. After the plenary sessions, 50 one-on-one meetings between major MENA sponsors and Korean EPC contractors took place, offering participants a unique venue to explore new business opportunities with prospective partners.

One-on-One Meeting During the MENA Conference 2013

• International Conference on Promoting North Korea's Development

In November, the Bank held an international conference titled "International Cooperation to Promote Peace in Northeast Asia and the Development of North Korea." The conference was held to explore international cooperation strategies to persuade North Korea to become a responsible member of the international community, in connection with the "Trust-Building Process on the Korean Peninsula" pursued by the Korean government. Over the course of three sessions, presenters and participants had lively discussions on such topics as the strategies of Northeast Asian countries for promoting North Korea's development and the role of international development organizations in promoting cooperation among North Korea and Northeast Asian countries.

Conference on Promoting North Korea's Development

• Joint Seminar with JBIC

In June, the Bank held a joint seminar with Japan Bank for International Cooperation (JBIC) entitled "Collaboration between Japan and Korea in Overseas Projects" in Tokyo, Japan. This is the second seminar to be held between the two ECAs since the first in June 2011, in Seoul. Again, the seminar served as an opportunity to discuss ways to boost financial cooperation between the two institutions when supporting overseas projects involving both Korean and Japanese companies.

Joint Seminar with JBIC in Tokyo, Japan

• Joint Seminar with global investment banks and Korean commercial banks

In addition, the Bank held a joint seminar with global investment banks and Korean commercial banks in December on how to enhance co-financing of overseas projects. A total of 38 domestic and foreign financial institutions were invited to the seminar. This seminar, held for the second time since 2012, was aimed at increasing the availability of financing for overseas projects by exchanging information and strengthening the network among Korea Eximbank, investment banks, and Korean commercial banks.

Knowledge Sharing Activities

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 the Asian EXIM Banks Forum (AEBF), Korea Eximbank dispatched experts to AEBF Training Programs to share insights on accessing capital markets, with a focus on overseas funding activities and diversifying funding sources. The Bank also participated in the 19th AEBF Annual Meeting in October under the theme of "Reinforcing Regional Cooperation & Connectivity in a Challenging Global Environment." During the meeting, the Bank highlighted its recently enhanced relationships in Asia and emphasized its commitment to strengthening knowledge sharing activities.

As part of its ongoing contributions to the AEBF, the Bank provided tailor-made bilateral training programs to staff members of Indonesia Eximbank and the Export-Import Bank of India in February and May, respectively. The Bank staff shared with their Indonesian and Indian counterparts their intimate knowledge of the Bank's financing services including project-related loans and guarantees, Overseas Investment Financing, and the Hidden Champions Initiative.

• KSP Program

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 developing partner countries. In 2011, in an effort to improve the quality of its knowledge sharing activities, the government launched a new program combining Korea's unique development experience with the regional expertise of multilateral development banks (MDBs) – the Joint Consulting Program with MDBs. Through the framework of the Joint Consulting Program, Korea Eximbank successfully supported four projects with ADB, five projects with IDB, one project with the World Bank, one project with CAF (Development Bank of Latin America), and two projects with AfDB in 2013 (combined project value: USD 3.3 million). By executing the program, the Bank has expanded opportunities for Korean companies to participate in procurement projects awarded by MDBs.

Furthermore, the Korean government launched the System Consulting Program to provide comprehensive solutions to improve various systems of public administration for national governments through policy and project consulting services. On behalf of the Korean government, the Bank implemented five System Consulting projects covering four systems in 2013 (combined project value: USD 1 million).

2013 marked the 10th year of the Knowledge Sharing Program. In July, the Bank organized the KSP Dissemination Seminar with Korea Development Institute (KDI), to build on the outcome of the KSP projects conducted in 2012, and to share and discuss its policy implications with policy-makers and experts.

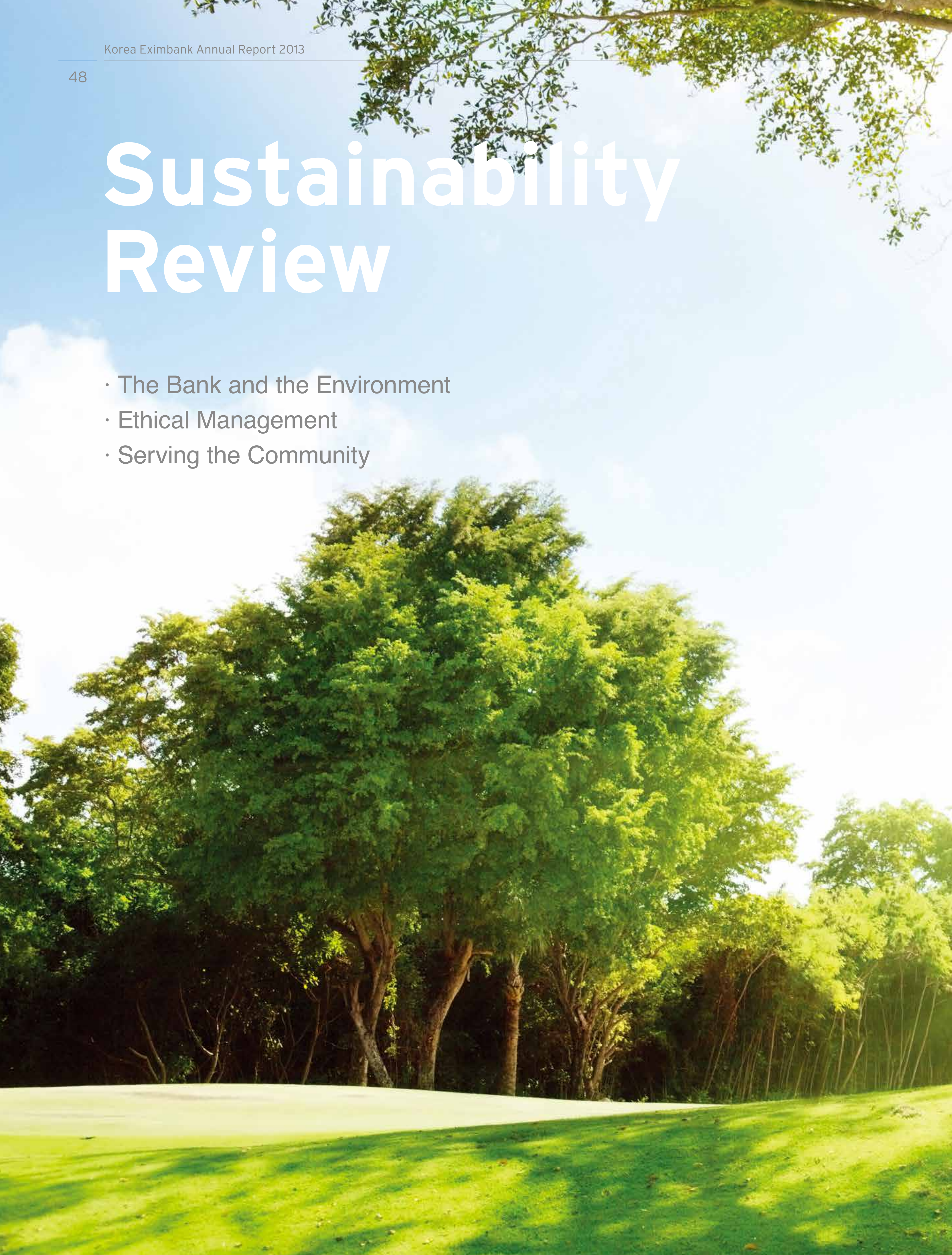
Research and Information

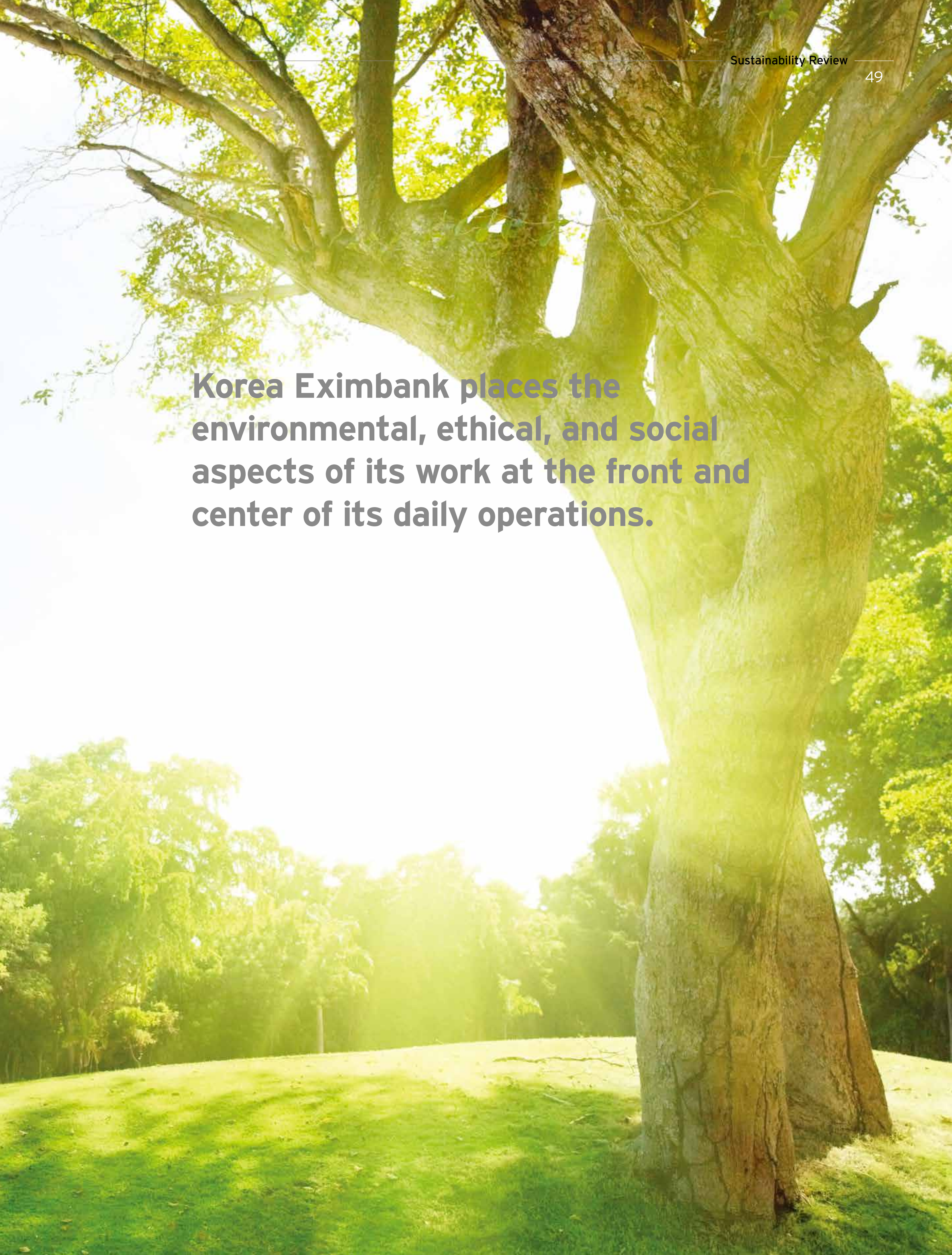
In 2013, Korea Eximbank's Overseas Economic Research Institute (KERI) strengthened research and statistical analysis of emerging market countries across the world. As well as providing comprehensive country-specific analyses of macro-economic conditions, industries, political situations, and investment climates, KERI published strategically themed reports such as *The Present Conditions of Three Sub-Saharan African Countries (South Africa, Nigeria, and Tanzania) and Effective Ways of Entering them* and *Ways to Promote Industrial Cooperation with Turkey after the Korea-Turkey FTA Agreement.*

KERI also provided in-depth research on specific industries, acting as the 'think-tank' of Korea Eximbank. Some of the key papers issued by KERI include *Globalization Strategies for Renewable Energy Players, The Effect of Shale Gas on Key Industries and its Policy Implications,* and *Enhancing the Information and Communication Industry to Stimulate the Creative Economy.*

Sustainability Review

· The Bank and the Environment
· Ethical Management
· Serving the Community





Korea Eximbank places the environmental, ethical, and social aspects of its work at the front and center of its daily operations.

The Bank and the Environment

Aware of the potentially adverse environmental and social impacts of the projects it finances, Korea Eximbank endeavors to promote compliance with international standards of environmental and social sustainability.

Korea Eximbank places the prevention and mitigation of adverse environmental and social impacts at the front and center of projects it finances, and incorporates environmental and social risk assessment into its overall financial risk assessment process. In undertaking environmental and social due diligence, the Bank strives to promote compliance with the OECD Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (hereafter "the OECD Common Approaches") respect for human rights, transparency, and observance of international standards. Steadfastly committed to environmental and social sustainability, the Bank will consistently do its utmost to protect the environment from contaminants and global warming.

Site Visit for Off-Gas Power Plant Project in Indonesia and DS LNG Project in Indonesia, Respectively

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.

To address such risks, the Bank established internal policies that contribute to sustainable development in accordance with the OECD Common Approaches. The policies stipulate the Bank's standards and procedures for reviewing the environmental and social aspects of the projects it finances.

Each project is reviewed taking into account project-specific characteristics and potential impacts. Moreover, the Bank seeks to ensure, through its due diligence and monitoring, that the clients' activities it supports are implemented in accordance with international environmental and social standards. The outcome of the Bank's environmental and social due diligence is thus an important factor in its approval process, and determines the environmental and social conditions attached to the Bank's financing.

In 2013, Korea Eximbank reviewed the environmental and social impacts of 11 high-risk projects in the areas of thermal power, oil and gas, refinery, and mining. Meanwhile, the Bank has started revising its environmental and social checklists in response to newly updated international guidelines to inform clients of global trends and offer them guidance in assessing the environmental and social impacts of their projects and in preparing mitigation measures. The Bank believes that the environmental and social checklists will increase public awareness about its commitment to sustainability and strengthen engagement with stakeholders.

OECD Environmental Practitioner Activities

Korea Eximbank is also actively taking part in multilateral discussions and addressing environmental and social issues by sharing its experience and knowledge with other government agencies and international organizations. In 2013 the Bank attended the OECD Environmental Practitioner Meetings held in Hamburg, Budapest, and Ottawa and discussed better approaches to ensure that the OECD Common Approaches stays up to date with global efforts to combat climate change and human rights violations.

Group Photo and Snapshot of the 26th Meeting of Environmental Practitioners of OECD Working Party

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 producing 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

Ranked No. 1 in terms of integrity by the Anti-corruption & Civil Rights Commission in 2013, Korea Eximbank will continue its unrelenting commitment to serve as a model "clean bank" by adhering to strict ethical standards and principles.

In accordance with government policies to foster ethical work practices among members of public sector organizations, 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.

Compliance Team

The Compliance Team is the Bank's unit dedicated to overseeing ethical management within its walls. Based on a systematic and efficient mechanism for supervising ethical management, the Compliance Team actively monitors and inspects the work processes of each department and ensures their full compliance with rules regarding corruption, money laundering, and protection of personal information, among others. Through the work of the Compliance Team, the Bank aims to attain an international level of excellence in ethical management, to evolve into an even more transparent and competitive ECA.

Stricter Code of Conduct

Since 2003, the Bank has enforced a Code of Conduct for its entire staff in order to ensure the Bank is a clean organization that customers and the public can trust. The Code stipulates faithful execution of duties, customer-oriented management, prohibition of sexual harassment, and promotion of integrity and anti-corruption efforts through the eradication of bribery and the clean report center. On October 16, 2013, the Code was revised to require the Bank to explicitly declare compliance with the OECD Recommendation on Bribery and Officially Supported Export Credits, and new provisions were included to prohibit the soliciting of post-retirement job offers from customers, private usage of airplane mileages earned from business trips, as well as private investments in work-related companies. Also, to empower each and every member of the organization to enforce ethical conduct, an anonymous reporting system has been installed to protect whistleblowers. In short, the Code of Conduct serves as the fundamental basis for ethical management at Korea Eximbank.

Integrity Oath

Internal regulations of the Bank require all board members to sign integrity oaths 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 oaths to the Bank immediately upon joining the company to ensure transparent execution of duties and prevention of corruption.

Ethical Management Plan

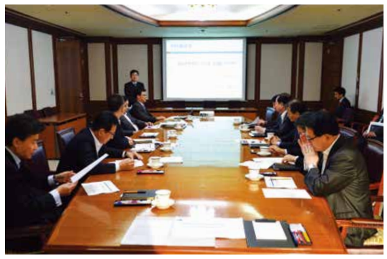
In accordance with government ethics guidelines, the Bank establishes its Annual Ethical Management Implementation Plan specifying concrete programs for ethical management within the Bank. Each department is required to report its ethical management plan each quarter to the department overseeing ethical management. The reports thus collected are then submitted to the Prime Minister's Office of the Korean government.

Self Diagnosis of Ethical Practices

The Online Self Diagnosis of 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

The Bank dispatches employees annually 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. The Bank also implements its own quarterly education program on ethics. Instructors who completed the Integrity Instructor for Public Officials Training Course at the Anti-corruption & Civil Rights Commission conduct internal integrity education programs customized for each and every member of the Bank. The Bank's programs also encompass sexual harassment prevention and one-on-one counseling services.



Ethics Training Program for Senior Management

Departmental Performance Evaluation Index

The Bank's departmental performance evaluation system incorporates an index on ethical management designed to promote employee participation in ethical management and to enhance the awareness of individual departments about the organization's anti-corruption and integrity policies. The index measures implementation levels of ethical management initiatives and participation in the Self Diagnosis of Ethical Practices program as well as in anti-corruption and integrity education programs.

"Clean Card" System

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

Ethical management goes beyond simple compliance with legal and regulatory requirements; it extends to meeting social expectations for ethical management and activities. Ethical management therefore seeks not only to address the short-term imperative of value creation but also to foster long-term sustainable growth. As the organization ranked No. 1 in terms of integrity by the Anti-corruption & Civil Rights Commission in 2013, Korea Eximbank will continue to make every effort necessary to promote the sustainable growth of the Bank.

Serving the Community

Incorporating its unique skill set as a financial institution, ODA agency, and channel of inter-Korean exchanges into its community outreach efforts, Korea Eximbank has touched yet more lives in 2013, extending a helping hand to communities and individuals in need both at home and abroad.

Corporate Social Responsibility (CSR)

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

Korea Eximbank donated approximately KRW 5,403 million to various charities, NGOs and social enterprises mainly through the Seed of Hope Program in 2013, an increase of 20% compared to the previous year. The Seed of Hope Program consists of three subordinate outreach programs targeting 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.

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 continuously supported 16 social enterprises providing jobs for disadvantaged groups such as foreign women married to Koreans, temporary foreign workers, and resettled North Koreans.

In 2013, Korea Eximbank set a new trend with a program called 'Seed of Hope Undergraduate Volunteers' involving 140 undergraduate students throughout the country. Bringing to bear their youthful creativity and enthusiasm, the Seed of Hope Undergraduate Volunteers conceived and executed a number of innovative community service programs to serve the underprivileged in Korean society.

Helping New Members of Korean Society Adjust

Leveraging its unique skill set as a globally oriented agency, Korea Eximbank has focused on supporting new members of society such as multi-cultural families and resettled North Koreans. In order to help multi-cultural children develop as successful members of society, the Bank supported various educational programs by donating money to multi-cultural alternative schools and holding economics and finance classes for about 300 children in 10 Multicultural Family Support Centers nationwide. In October, the Bank held a Multi-cultural Family Festival, inviting some 500 multi-cultural family members to share their culture through food and on-stage performances. In addition, the Bank held a family reunion event for Indonesian women married to Koreans, in commemoration of the 40th anniversary of diplomatic relations between Korea and Indonesia. 10 parents of Indonesian-Korean women were invited to Korea to visit tourist attractions in Seoul and spend time with their daughters for over two weeks.

Korea Eximbank nominated the North Korean-born female boxer Choi Hyun-mi, who holds the title of the World Boxing Association (WBA) women's super-featherweight champion, as Goodwill Ambassador for Seed of Hope. Born in Pyeongyang, Ms. Choi came to South Korea in 2004. The Bank is also supporting her boxing career with athletic scholarship grants. Ms. Choi is one among many resettled North Koreans whose lives the Bank has touched. Throughout the year 2013, the Bank made donations to cover education expenses at alternative schools for resettled North Koreans; donated money to Samheung School, an alternative elementary school for resettled

North Koreans, to help fund its historical and cultural experience program in Jeju Island; and helped fund a job application training program for resettled North Korean university students. Korea Eximbank's donations that benefitted North Korean-born young adults, in particular, went to training programs designed to help resettled North Korean youths through three stages of their young adult lives: college admission, college life, and career search.

Nomination of the North Korean-born Female Boxer Choi Hyun-mi as Goodwill Ambassador for Seed of Hope

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 work in countries like Mongolia and Thailand to build shelters for the homeless. A notable initiative of the Bank last year was an internship program to train female leaders from developing countries: it offered internships to three students from the Asia University for Women (AUW) in Chittagong, Bangladesh, a school that offers free education for 350 women from 14 developing countries, in collaboration with the University's Chancellor Madame Cherie Blair. The student interns from AUW worked at the Bank's EDCF departments for three months from June to August, during which they had a chance to learn and experience diverse aspects of Korean culture. The Bank also built a middle school in Bot Veng, a village in Cambodia with which the Bank has a sisterhood relationship. The middle school, which opened on October 1, is being attended by about 40 village youths.

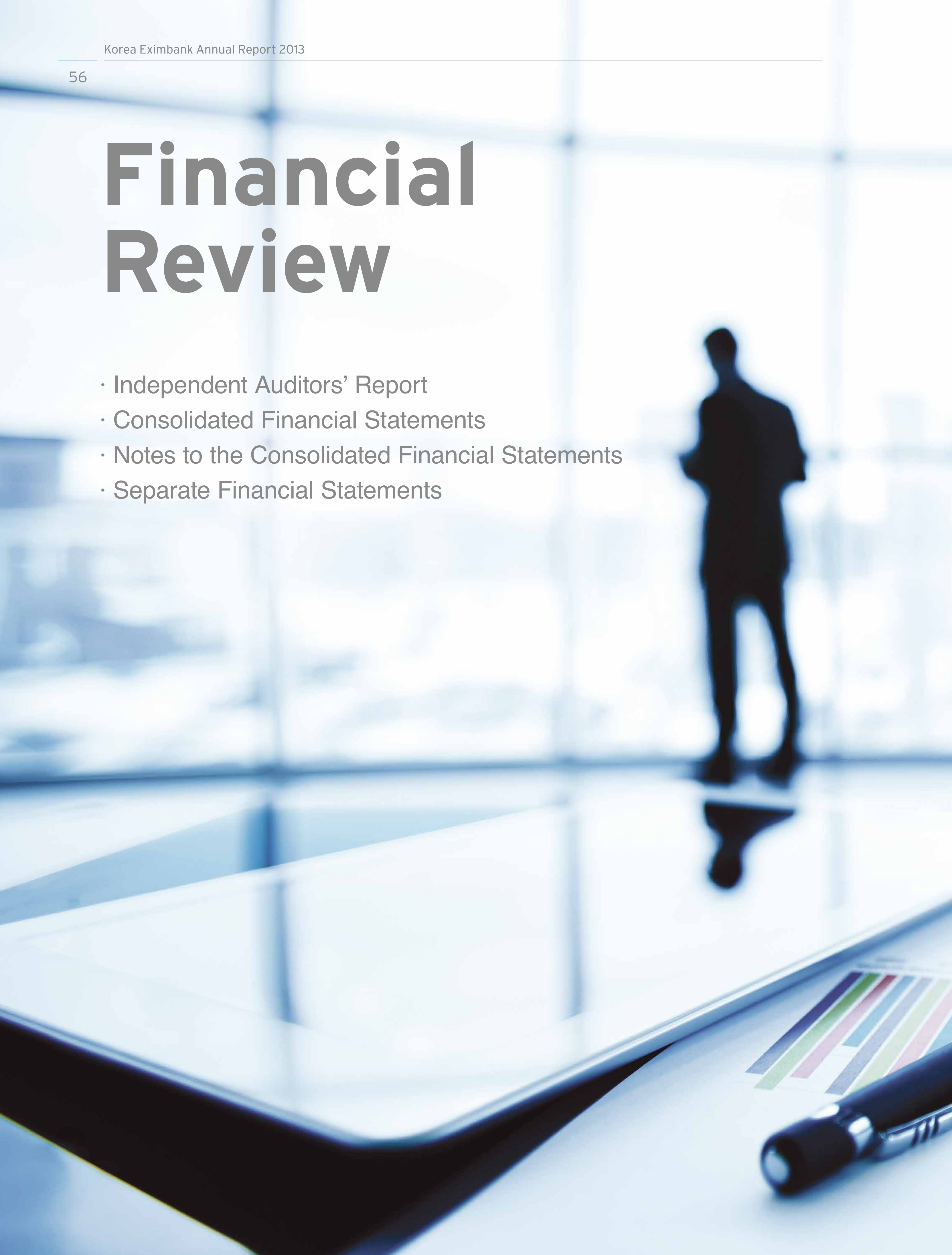

Construction of Mongolian Gers for the Underprivileged in Mongolia


Internship Program to Train Students from Asia University for Women in Bangladesh

Volunteer Work

Korea Eximbank encourages employees to get involved in community services and volunteer for charities. In 2013, 747 employees including the Chairman and Executive Directors volunteered to help orphanages, nursing homes, and homeless shelters, among others. In addition to cleaning facilities such as orphanages and nursing homes, 20 volunteers taught economics classes for elementary school students over the course of four weeks. Among those 20 volunteers, five taught resettled North Korean adolescents studying at alternative schools. 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 grants. Also, to fully exploit their capacities as finance specialists, 10 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.


Serving Free Lunch for the Homeless



Financial Review

Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

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

We have audited the accompanying consolidated financial statements of the Export-Import Bank of Korea (the "Bank") and its subsidiaries (together, the "Consolidated Entity"). The financial statements consist of the consolidated statements of financial position as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS) respectively, and the related consolidated statements of comprehensive income, changes in equity and cash flows, for the years ended December 31, 2013 and 2012, respectively, all expressed in Korean won,. The Bank's management is responsible for the preparation and fair presentation of the consolidated financial statements and our responsibility is to express an opinion on these 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 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Consolidated Entity as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS), respectively, and the results of its operations and its cash flows for the years ended December 31, 2013 and 2012, respectively, in conformity with Korean International Financial Reporting Standards ("K-IFRS").

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying 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 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

March 19, 2014

Notice to Readers

This report is effective as of March 19, 2014, the independent auditors' report date. Certain subsequent events or circumstances may have occurred between this independent auditors' report date and the time the independent auditors' report is read. Such events or circumstances could significantly affect the consolidated financial statements and may result in modifications to the independent auditors' report.

Consolidated Statements of Financial Position

AS OF DECEMBER 31, 2013, DECEMBER 31, 2012 AND JANUARY 1, 2012 (the date of transition to K-IFRS)

Korean won in millions

	Dec 31, 2013	Dec 31, 2012	Jan 1, 2012
ASSETS			
Cash and due from financial institutions (Notes 4, 5 and 7)	₩ 2,281,520	₩ 1,968,966	₩ 2,399,878
Financial assets at fair value through profit or loss ("FVTPL") (Notes 4, 5, 8 and 20)	854,769	259,408	576,591
Hedging derivative assets (Notes 4, 5 and 20)	378,324	873,273	994,233
Loans (Notes 4, 5, 10 and 38)	51,375,674	45,867,144	46,532,367
Financial investments (Notes 4, 5 and 9)	4,385,756	4,152,083	4,028,568
Investments in associates (Note 11)	505,720	499,025	115,486
Tangible assets, net (Note 12)	236,949	228,627	218,913
Intangible assets, net (Note 13)	17,849	15,918	12,943
Deferred tax assets (Note 35)	511,460	396,191	355,201
Other assets (Notes 4, 5, 14 and 38)	855,772	700,818	673,562
	₩ 61,403,793	₩ 54,961,453	₩ 55,907,742
LIABILITIES AND EQUITY			
LIABILITIES:			
Financial liabilities at FVTPL (Notes 4, 5 and 20)	₩ 218,699	₩ 267,920	₩ 200,800
Hedging derivative liabilities (Notes 4, 5 and 20)	1,799,713	918,477	806,141
Borrowings (Notes 4, 5 and 15)	5,944,643	3,151,898	5,798,794
Debentures (Notes 4, 5 and 16)	42,709,823	40,167,175	39,368,411
Provisions (Note 17)	245,420	224,691	487,552
Retirement benefit obligation, net (Note 18)	27,984	32,864	53,900
Current tax liabilities (Note 35)	100,714	78,369	82,676
Other liabilities (Notes 4, 5, 19 and 38)	1,107,228	1,042,151	1,052,726
	₩ 52,154,224	₩ 45,883,545	₩ 47,851,000
EQUITY:			
Equity attributable to the owners of the parent company			
Capital stock (Note 21)	₩ 7,238,055	₩ 7,138,055	₩ 6,258,755
Other reserves (Notes 20 and 22)	37,401	7,166	221,967
Retained earnings (Note 23) (Regulatory reserve for bad loans as of December 31, 2013: ₩509,079 million) (Note 24)	1,971,221	1,929,335	1,572,403
	9,246,677	9,074,556	8,053,125
Non−controlling interests	2,892	3,352	3,617
	9,249,569	9,077,908	8,056,742
	₩ 61,403,793	₩ 54,961,453	₩ 55,907,742

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

Korean won in millions

	Year ended December 31, 2013	Year ended December 31, 2012
OPERATING INCOME:		
Net interest income (Notes 25 and 38):		
Interest income	₩ 1,731,845	₩ 1,834,859
Interest expenses	(1,340,982)	(1,491,199)
	390,863	343,660
Net commission income (Notes 26 and 38):		
Commission income	344,149	294,411
Commission expenses	(3,282)	(5,177)
	340,867	289,234
Dividend income (Note 27):	14,035	18,459
Gain (loss) on financial assets at FVTPL (Note 28)	169,847	(66,874)
Gain (loss) on hedging derivative assets (Notes 20 and 29)	(1,859,253)	(64,549)
Gain (loss) on financial investments (Note 30)	(1,142)	384,987
Gain (loss) on foreign exchange transactions	1,188,449	247,755
Other net operating income (expenses) (Note 31)	659,065	(98,888)
Impairment loss on credit (Note 32 and 38)	(626,799)	(383,044)
General and administrative expenses (Note 33)	(188,566)	(172,460)
Total operating income	87,366	498,280
NON OPERATING INCOME (EXPENSES) (Note 34):		
Gain on investments in associates	14,680	9,829
Net other non–operating expenses	(6,363)	(7,040)
	8,317	2,789
INCOME BEFORE INCOME TAX	95,683	501,069
INCOME TAX EXPENSES (Note 35)	(19,126)	(110,235)
NET INCOME	76,557	390,834
(Adjusted income after reserve for bad loans for the year ended December 31, 2013: (–) ₩14,845 million) (Note 24)		
Net income attributable to the owners of the parent company	76,172	390,550
Net income attributable to the non–controlling interests	385	284

(Continued)

Korean won in millions

		Year ended December 31, 2013		Year ended December 31, 2012
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD (Note 22):				
Items not reclassified subsequently to profit or loss:	₩	6,458	₩	(1,631)
Remeasurements of net defined benefit liability		8,520		(2,152)
Income tax effect		(2,062)		521
Items reclassified subsequently to profit or loss:		22,972		(213,640)
Valuation on available–for–sale ("AFS") securities		36,524		(256,147)
Cash flow hedging gains or losses		2,616		(4,235)
Other comprehensive loss on investment in associates		(1,342)		(7,682)
Loss on overseas business translation		(7,491)		(13,782)
Income tax effect		(7,334)		68,206
TOTAL COMPREHENSIVE INCOME	₩	105,988	₩	175,563
Comprehensive income attributable to the owners of the parent company		106,407		175,749
Comprehensive income attributable to the non–controlling interests		(419)		(186)

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes In Equity

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

Korean won in millions

		Other Reserves								
	Capital stock	Valuation on AFS financial assets	Cash flow hedging gains or losses	comprehen-sive loss on investments in associates	Loss on overseas business translation	Remea-surement of net defined benefit liability	Retained earnings	Equity attributable to the owners of the parent company	Non-controlling interests	Total Equity
January 1, 2012	₩ 6,258,755	₩ 221,969	₩ –	₩ (2)	₩ –	₩ –	₩ 1,572,403	₩ 8,053,125	₩ 3,617	₩ 8,056,742
Dividends	–	–	–	–	–	–	(33,618)	(33,618)	(78)	(33,696)
Increase in capital stock	879,300	–	–	–	–	–	–	879,300	–	879,300
Net income	–	–	–	–	–	–	390,550	390,550	284	390,834
Loss on valuation of AFS securities	–	(194,160)	–	–	–	–	–	(194,160)	–	(194,160)
Loss on valuation of cash flow hedge	–	–	(3,210)	–	–	–	–	(3,210)	–	(3,210)
Other comprehensive loss on investments in associates	–	–	–	(5,823)	–	–	–	(5,823)	–	(5,823)
Translation of overseas business	–	–	–	–	(9,977)	–	–	(9,977)	(471)	(10,448)
Remeasurements of net defined benefit liability	–	–	–	–	–	(1,631)	–	(1,631)	–	(1,631)
December 31, 2012	₩ 7,138,055	₩ 27,809	₩ (3,210)	₩ (5,825)	₩ (9,977)	₩ (1,631)	₩ 1,929,335	₩ 9,074,556	₩ 3,352	₩ 9,077,908
January 1, 2013	₩ 7,138,055	₩ 27,809	₩ (3,210)	₩ (5,825)	₩ (9,977)	₩ (1,631)	₩ 1,929,335	₩ 9,074,556	₩ 3,352	₩ 9,077,908
Dividends	–	–	–	–	–	–	(34,286)	(34,286)	(41)	(34,327)
Increase in capital stock	100,000	–	–	–	–	–	–	100,000	–	100,000
Net income	–	–	–	–	–	–	76,172	76,172	385	76,557
Gain on valuation of AFS securities	–	27,684	–	–	–	–	–	27,684	–	27,684
Gain on valuation of cash flow hedge	–	–	1,983	–	–	–	–	1,983	–	1,983
Other comprehensive loss on investments in associates	–	–	–	(1,017)	–	–	–	(1,017)	–	(1,017)
Translation of overseas business	–	–	–	–	(4,873)	–	–	(4,873)	(804)	(5,677)
Remeasurements of net defined benefit liability	–	–	–	–	–	6,458	–	6,458	–	6,458
December 31, 2013	₩ 7,238,055	₩ 55,493	₩ (1,227)	₩ (6,842)	₩ (14,850)	₩ 4,827	₩ 1,971,221	₩ 9,246,677	₩ 2,892	₩ 9,249,569

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

Korean won in millions

	Year ended December 31, 2013	Year ended December 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	₩ 76,557	₩ 390,834
Adjustments to reconcile net income to net cash used in operating activities:		
Income tax expense	19,126	110,235
Interest income	(1,731,845)	(1,834,859)
Interest expenses	1,340,982	1,491,199
Dividend income	(14,035)	(18,459)
Loss on trading securities	125	–
Loss on AFS securities	23,462	17,360
Loss on debenture redemption	13	302
Loss on foreign exchange transactions	798,986	845,830
Impairment loss on credit	626,799	383,044
Loss on fair value hedged items	118,706	341,586
Depreciation and amortization	5,576	4,817
Loss on disposals of tangible, intangible and other assets	8	5
Impairment loss on tangible, intangible and other assets	786	31
Loss on valuation of derivative assets	1,945,848	699,041
Retirement benefits	10,325	9,933
Loss on sales of investments in associates	10	12
Loss on redemption of held–to–maturity financial assets	–	400
Gain on valuation of investments in associates	(14,692)	(9,841)
Gain on trading securities	(7,065)	(14,577)
Gain on AFS securities	(22,197)	(402,170)
Gain on redemption of held–to–maturity financial assets	(123)	(578)
Net increase in reversal of derivatives' credit risk provision	(3,797)	(11,380)
Gain on foreign exchange transactions	(1,987,432)	(1,093,587)
Gain on fair value hedged items	(776,597)	(233,524)
Gain on valuation of derivative assets	(289,266)	(531,441)
Gain on disposals of tangible assets, intangible assets and other assets	(73)	(778)

(Continued)

Korean won in millions

	Year ended December 31, 2013	Year ended December 31, 2012
Changes in assets and liabilities resulting from operations:		
Net decrease (increase) in due from financial institutions	₩ 314,689	₩ (633,359)
Net decrease (increase) in financial assets at fair value through profit or loss	(581,405)	171,621
Net decrease in hedging derivative assets	204,070	279,002
Net increase in loans	(6,879,841)	(718,786)
Net increase in other assets	(130,357)	213,901
Net increase in provisions and reserve	(5,144)	38,551
Payment of retirement benefits	(1,536)	(5,245)
Net decrease in other liabilities	(65,639)	(96,027)
Net decrease in financial liabilities at fair value through profit or loss	(39,131)	(16,333)
Net increase in hedging derivative liabilities	(499,062)	(147,155)
Payment of income tax	(122,492)	(89,974)
Interest income received	1,696,497	1,687,919
Interest expense paid	(1,340,985)	(1,537,436)
Dividend income received	20,687	18,459
Net cash used in operating activities	(7,309,462)	(691,427)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disposals of AFS securities and held-to-maturity securities	114,132	896,034
Disposals of tangible assets	216	1,022
Disposals of intangible assets	208	-
Acquisitions of AFS securities and held-to-maturity securities	(246,962)	(392,690)
Net increase in investments in associates	(10)	-
Acquisitions of tangible assets	(12,129)	(13,232)
Acquisitions of intangible assets	(4,891)	(4,832)
Net cash (used in) provided by investing activities	(149,436)	486,302

(Continued)

Korean won in millions

	Year ended December 31, 2013		Year ended December 31, 2012	
CASH FLOWS FROM FINANCING ACTIVITIES:				
Increase in call money	₩	2,368	₩	–
Increase in borrowings		7,058,585		2,257,918
Increase in debentures		17,072,810		15,294,201
Increase in capital stock		100,000		–
Decrease in call money		–		(68,323)
Decrease in borrowings		(4,115,026)		(4,731,447)
Decrease in debentures		(12,016,290)		(13,607,923)
Payment of dividends		(34,286)		(33,618)
Decrease in non-controlling interests		(7,275)		(335)
Net cash provided by (used in) financing activities		8,060,886		(889,527)
NET INCREASE (DECREASE) IN DUE FROM FINANCIAL INSTITUTIONS		601,988		(1,094,652)
DUE FROM FINANCIAL INSTITUTIONS, BEGINNING OF THE YEAR		871,548		1,935,817
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON THE BALANCE OF DUE FROM FINANCIAL INSTITUTIONS IN FOREIGN CURRENCIES		25,255		30,383
DUE FROM FINANCIAL INSTITUTIONS, END OF THE YEAR (Note 7)	₩	1,498,791	₩	871,548

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

AS OF DECEMBER 31, 2013, DECEMBER 31, 2012 AND JANUARY 1, 2012 (THE DATE OF TRANSITION TO K-IFRS) AND FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

1. GENERAL

(1) Summary of The Export–Import Bank of Korea

The Export-Import Bank of Korea (hereafter referred to as, the "Bank" or the "Company") 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., export and import), investments and resources development activities. As of December 31, 2013, the Bank operates 10 domestic branches, 3 domestic offices, 4 overseas subsidiaries, and 16 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 ₩7,238,055 million as of December 31, 2013. The Government of the Republic of Korea (the "Government"), the Bank of Korea ("BOK"), and the Korea Finance Corporation hold 67.97%, 16.09% and 15.94%, respectively, of the ownership of the Bank as of December 31, 2013.

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 for separately and are not included in the Consolidated Entity's consolidated financial statements. The Bank receives fees from the Government for the trustee services.

(2) Summary of subsidiaries

1) The Bank is a controlling, in accordance with Korean International Financial Reporting Standards ("K–IFRS") 1110, *Consolidated Financial Statements,* the following subsidiaries as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K–IFRS):

(December 31, 2013)

Subsidiaries	Location	Capital stock	Main business	Number of shares owned	Percentage of owner ship (%)	Financial statements as of
KEXIM Bank UK Limited	United Kingdom	GBP 20 mil.	Banking	20,000,000	100.00	Dec 31, 2013
KEXIM Vietnam Leasing Co (*)	Vietnam	USD 13 mil.	Banking	–	100.00	Dec 31, 2013
PT.KOEXIM Mandiri Finance	Indonesia	IDR 52,000 mil.	Banking	442	85.00	Dec 31, 2013
KEXIM Asia Limited	Hong Kong	USD 20 mil.	Banking	30,000,000	100.00	Dec 31, 2013

(*) This entity does not issue share certificates.

(December 31, 2012)

Subsidiaries	Location	Capital stock	Main business	Number of shares owned	Percentage of owner ship (%)	Financial statements as of
KEXIM Bank UK Limited	United Kingdom	GBP 20 mil.	Banking	20,000,000	100.00	Dec 31, 2012
KEXIM Vietnam Leasing Co (*)	Vietnam	USD 13 mil.	Banking	–	100.00	Dec 31, 2012
PT.KOEXIM Mandiri Finance	Indonesia	IDR 52,000 mil.	Banking	442	85.00	Dec 31, 2012
KEXIM Asia Limited	Hong Kong	USD 20 mil.	Banking	30,000,000	100.00	Dec 31, 2012

(*) This entity does not issue share certificates.

(January 1, 2012)

Subsidiaries	Location	Capital stock	Main business	Number of shares owned	Percentage of owner ship (%)	Financial statements as of
KEXIM Bank UK Limited	United Kingdom	GBP 20 mil.	Banking	20,000,000	100.00	Jan 1, 2012
KEXIM Vietnam Leasing Co (*)	Vietnam	USD 13 mil.	Banking	–	100.00	Jan 1, 2012
PT.KOEXIM Mandiri Finance	Indonesia	IDR 52,000 mil.	Banking	442	85.00	Jan 1, 2012
KEXIM Asia Limited	Hong Kong	USD 20 mil.	Banking	30,000,000	100.00	Jan 1, 2012

(*) This entity does not issue share certificates.

2) Summary of financial information for subsidiaries as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K–IFRS) and for the years ended December 31, 2013 and 2012 is as follows (Korean won in millions):

(December 31, 2013)

Subsidiaries	Assets		Liabilities		Equity		Net income	
KEXIM Bank UK Limited	₩	455,482	₩	410,611	₩	44,872	₩	5,110
KEXIM Vietnam Leasing Co.		124,882		115,033		9,849		1,039
PT. KOEXIM Mandiri Finance		163,849		144,569		19,280		2,568
KEXIM Asia Limited	₩	356,724	₩	306,577	₩	50,147	₩	3,844

(December 31, 2012)

Subsidiaries	Assets		Liabilities		Equity		Net income	
KEXIM Bank UK Limited	₩	446,721	₩	406,756	₩	39,965	₩	6,488
KEXIM Vietnam Leasing Co.		109,237		100,258		8,979		797
PT. KOEXIM Mandiri Finance		179,383		157,034		22,349		1,891
KEXIM Asia Limited	₩	347,577	₩	299,063	₩	48,514	₩	3,970

(January 1, 2012)

Subsidiaries	Assets		Liabilities		Equity	
KEXIM Bank UK Limited	₩	466,413	₩	431,420	₩	34,993
KEXIM Vietnam Leasing Co.		103,425		94,573		8,852
PT. KOEXIM Mandiri Finance		189,858		165,742		24,116
KEXIM Asia Limited	₩	363,429	₩	316,003	₩	47,426

3) The Consolidated Entity has entered into structured finance with structured entities. The Consolidated Entity has no controlling power over those structured entities, which is determined in accordance with K-IFRS 1110, therefore, those structured entities are not consolidated to the Consolidated Entity. It is classified as structured finance based on the nature and purpose of their investments and the risk the Consolidated Entity is exposed to.

Structured finance includes investments in project financing on real estate, social overhead capital ("SOC"), infrastructure and shipping finance. They are formed as special purpose entities by funding through equity investments and loans from various investors. Investment decisions are made by the Consolidated Entity based on business outlook of such projects. In relation to such investments, the Consolidated Entity recognizes interest income on loans, gains or losses on valuation of equity investments or dividend income. The structured finance is secured by additional funding agreement, guarantee or credit facilities, however, the structured financing project would fail to return the capital of equity investments or principal of loans to the Consolidated Entity if it is discontinued or did not achieve business outcome.

Investment funds include trusts and private equity funds. A trust is formed by contributions from various investors, operated by a manager engaged to the trust and distributed proceeds from sales of investments to the investors. A private equity fund is established in order to acquire ownership interests in a portfolio company with exit strategy after implementing financial and operational restructuring of the company. The Consolidated Entity recognizes unrealized gains or losses on change in value of investments in proposition of ownership interests in investments. The Consolidated Entity would be exposed to risks of loss when the value of portfolio investments will decrease.

Total assets and liabilities of the unconsolidated structured entities, carrying value of the related items recorded, and related maximum exposure to risks as of December 31, 2013 are as follows (Korean won in millions):

	December 31, 2013	
Total assets of unconsolidated structured entities	₩	112,139,548
Assets involved in unconsolidated structured entities		12,980,924
Loans and receivables		12,907,462
Other assets		73,462
Liabilities involved in unconsolidated structured entities		256,417
Provisions		22,314
Other liabilities		234,103
Maximum exposure to risks	₩	19,567,296
Investment asset		12,980,924
Granting of credit		6,586,372

2. FINANCIAL STATEMENT PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Entity's financial statements are prepared under International Financial Reporting Standards as adopted by the Republic of Korea ("K-IFRS"). Significant accounting policies are as follows.

(1) Basis of Financial Statement Presentation

The Consolidated Entity has adopted K-IFRS from the fiscal year beginning on January 1, 2013 and the accompanying consolidated financial statements are prepared on K-IFRS. In accordance with K-IFRS 1101 *'First-time adoption of International Financial Reporting Standard,'* the transition date to K-IFRS is January 1, 2012. An explanation of how the transition to K-IFRS has affected the financial position as of January 1, 2012 (date of transition) and December 31, 2012 and the comprehensive income for the year ended December 31, 2012 of the Consolidated Entity is provided in Note 39 'Transition Effects of K-IFRS.'

The Consolidated Entity maintains its official accounting records in Korean Won and prepares consolidated financial statements in conformity with K-IFRS, in the Korean language (Hangul). Accordingly, these consolidated financial statements are intended for use by those who are informed about K-IFRS and Korean practices. The accompanying consolidated financial statements have been condensed and restructured into English with certain expanded descriptions from the Korean language financial statements.

Major accounting policies used for the preparation of the consolidated financial statements are stated below. These accounting policies have been applied consistently to the consolidated financial statements for the current period and accompanying comparative period.

The accompanying consolidated financial statement has been prepared on the historical cost basis except for certain non-current assets and certain financial assets. In the preparation of consolidated financial statements under K-IFRS requires the application of certain accounting estimates and the Consolidated Entity prepared its financial statements by using judgments from its management for critical accounting estimates.

1) Accounting standards and interpretations that were newly applied for the year ended December 31, 2013, and related changes in the Consolidated Entity's accounting policies are as follows:

Amendments to K-IFRS 1001, *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income (Revised)*

The amendments to K-IFRS 1001 require an entity to present items in the other comprehensive income section to be grouped into those that will not be reclassified subsequently to profit or loss, and will be reclassified subsequently to profit or loss when specific conditions are met. These amendments have an effect only on presentation of consolidated financial statements and do not have an effect on the Consolidated Entity's financial position or operating results. The comparative consolidated financial statements were stated applying these amendments since the transition date.

Amendments to K-IFRS 1019, *Employee Benefits (Revised)*

The amendments to K-IFRS 1019 require the recognition of actuarial gains and losses in other comprehensive income and, hence, eliminate the 'corridor approach' and 'immediate recognition in profit and loss approach' permitted under the previous version. Expected return on plan assets is measured using the discount rate used in measuring defined benefit obligations instead of using an independent expected return and presented in net interest on the net defined benefit liability. Meanwhile, the Consolidated Entity shall recognize past service cost as an expense at the earlier date between when the plan amendment or curtailment occurs and when the entity recognizes related restructuring costs or termination benefits. The Consolidated Entity applied the changes in accounting policy since the transition date.

Amendments to K-IFRS 1107, *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities (Revised)*

The amendments to K-IFRS 1107 increase the disclosure requirements to include information about offsetting financial assets and financial liabilities. The revised accounting standards require disclosure of information on conditional rights of setoff that are enforceable and exercisable only in the events mentioned in agreements regardless of meeting some or all of the offsetting criteria in K-IFRS 1032. The Consolidated Entity disclosed the information comparatively (see Note 5-3).

K-IFRS 1110, *Consolidated Financial Statements (Issued)*

K-IFRS 1110 replaces the parts of K-IFRS 1027 Consolidated and Separate Financial Statements that deal with consolidated financial statements and K-IFRS 2012 Consolidation — Special Purpose Entities, and establishes a single basis for consolidation for all entities, including structured entities (the term from K-IFRS 2012, 'special purpose entities', is no longer used). Under K-IFRS 1110, an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group has applied these changes and restated the comparative amounts on a retrospective basis. (see the tables below for details)

K-IFRS 1111, *Joint Arrangements (Issued)*

K-IFRS 1111 deals with how a joint arrangement of which two or more parties have joint control K-IFRS 1111 deals with how a joint arrangement of which two or more parties have joint control should be classified either as a joint operation or a joint venture. The classification of joint arrangements under K-IFRS 1111 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. If the Bank is a joint operator, the Consolidated Entity is to recognize assets, liabilities, revenues and expenses in relation to its interest in a joint operation and if the Consolidated Entity is a joint venture, the Consolidated Entity is to account for that investment using the equity method. The application of K-IFRS 1111 did not have any material impact on the Consolidated Entity's consolidated financial statements.

K-IFRS 1112, *Disclosures of Interests in Other Entities (Issued)*

K-IFRS 1112 improves disclosures of reporting entities that have an interest in a subsidiary, a joint arrangement, an associate or unconsolidated structured entity. The standard requires an entity to disclose the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The Consolidated Entity disclosed the information on interests in subsidiaries (see Note 1-(2)-3)).

K-IFRS 1113, *Fair Value Measurements (Issued)*

K-IFRS 1113 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value and requires disclosures about fair value measurements. The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability. The standard explains that a fair value measurement requires an entity to determine the particular asset or liability being measured, the market in which an orderly transaction would take place for the asset and liability and the appropriate valuation techniques to use when measuring fair value. Also, the standard requires wider disclosures about fair value measurements. The enactments referred above do not have any significant effect on the Consolidated Entity's consolidated financial statements and disclosures.

2) The Consolidated Entity has not applied or adopted earlier the following new and revised K–IFRS that have been issued but are not yet effective:

Amendments to K-IFRS 1032, *Financial Instruments: Presentation (Revised)*

The amendments to K-IFRS 1032 clarify existing application issue relating to the offset of financial assets and financial liabilities requirements. An entity's right of setoff must not be contingent upon any future events, but enforceable anytime during the contract period in all of the circumstances, in the event of default, insolvency or bankruptcy of the entity or the counterparties as well as in the ordinary course of business. The amendments to K-IFRS 1032 are effective for annual periods beginning on or after January 1, 2014.

Amendment to K-IFRS 1039 *Financial Instruments: Recognition and Measurement (Revised)*

The amendment to K-IFRS 1039 allows the continuation of hedge accounting when a derivative is novated to a clearing counterparty or entity acting in a similar capacity and certain conditions are met. The amendment to K-IFRS 1039 is effective for annual periods beginning on or after January 1, 2014.

Amendment to K-IFRS 1110, K-IFRS 1112 and K-IFRS 1027 *Investment Entities (Revised)*

The amendments introduce an exception to the principle under K-IFRS 1110 that all subsidiaries shall be consolidated and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. In addition, consequential amendments have been made to K-IFRS 1112 and K-IFRS 1027 to introduce new disclosure requirements for investment entities. The investment entities amendments are effective for annual periods beginning on or after January 1, 2014.

K-IFRS 2121 *Levies (Issued)*

K-IFRS 2121 defines a levy as a payment to a government for which an entity receives no specific goods or services. The interpretation requires that a liability is recognized when the obligating event occurs. The obligating event is the activity that triggers payment of the levy and is typically specified in the legislation that imposes the levy. The interpretation is effective for annual periods beginning on or after January 1, 2014.

The list above does not include some other amendments such as the Amendments to K-IFRS 1036 relating to recoverable amount disclosures for non-financial assets that are effective from January 1, 2014 with earlier application permitted.

The Consolidated Entity does not anticipate that the application of these new and revised K-IFRSs that have been issued but are not yet effective will have any impact on the Consolidated Entity's consolidated financial statements and disclosures.

(2) Functional Currency

Items included in the financial statements of each entity in the Consolidated Entity are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

(3) Significant Estimates and Judgments

The preparation of consolidated financial statements requires the application of accounting policies, especially certain critical accounting estimates and assumptions that may have a significant impact on assets (liabilities) and income (expenses). The management's estimates of outcome may differ from an actual outcome if the management's estimates and assumptions based on its best judgment at the reporting date are different from an actual environment.

Estimates and assumptions are continually evaluated and the change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only, or the period of the change and future periods, if the change affects both.

1) Significant Estimates and Assumptions

Uncertainty in estimates and assumptions with significant risk that will result in material adjustment are as follows:

① Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. Financial instruments, which are not actively traded in the market and with less transparent market price, will have less objective fair value and require broad judgment in liquidity, concentration, uncertainty in market factors and assumption in price determination and other risks.

As described in the significant accounting policies in Note 3(3), 'Recognition and Measurement of Financial Instruments', diverse valuation techniques are used to determine the fair value of financial instruments, from general market accepted valuation model to internally developed valuation model that incorporates various types of assumptions and variables.

② Provision of credit losses (allowances for loan losses, provisions for acceptances and guarantees, financial guarantee contracts and unused loan commitments)

The Consolidated Entity determines and recognizes allowances for loan losses through impairment testing and recognizes provisions for acceptances and guarantees, financial guarantee contracts and unused loan commitments. The accuracy of provisions of credit losses is determined by the methodology and assumptions used for estimating expected cash flows of the borrower for allowances on individual loans and collectively assessing allowances for groups of loans, guarantees and unused loan commitments.

③ Defined benefit obligation

The present value of defined benefit obligations is measured by the independent actuaries using projected unit credit method. It is determined by actuarial assumptions and variables such as future increases in salaries, rate of retirement, discount rate and others.

2) Critical judgments in applying the accounting policies

Critical judgments in applying the accounting policies that have significant impact on the amount recognized in the consolidated financial statements are as follows:

Impairment of AFS equity investments

As described in the significant accounting policies in Note 3(9), 'Impairment of Financial Assets', when there is significant or prolonged decline in the fair value of an investment in an equity instrument below its original cost, there is objective evidence that AFS equity investments are impaired. Accordingly, the Consolidated Entity considers the decline in the fair value of over 30% against the original cost as "significant decline" and a six-month continuous decline in the market price for marketable equity instrument as "prolonged decline."

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) General

The significant accounting policies applied in the preparation of these consolidated financial statements after transition to K-IFRS are set out below. These policies are consistently applied to previous periods presented, unless otherwise stated.

(2) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities (including structured entities) controlled by the Bank (and its subsidiaries). Control is achieved where the Bank 1) has the power over the investee, 2) is exposed, or has rights, to variable returns from its involvement with the investee, and 3) has the ability to use its power to affect its returns. The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Consolidated Entity's accounting policies.

All intra-group transactions and related assets and liabilities, income and expenses are eliminated in full on consolidation.

Changes in the Consolidated Entity's ownership interests in subsidiaries that do not result in the Consolidated Entity losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Consolidated Entity's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Bank.

When the Consolidated Entity loses control of a subsidiary, a gain or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Consolidated Entity had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is recognized as the fair value on initial recognition for subsequent accounting under K-IFRS 1039 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(3) Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values of the assets transferred by the Consolidated Entity, liabilities incurred by the Consolidated Entity to the former owners of the acquiree and the equity interests issued by the Consolidated Entity in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with K-IFRS 1012 *Income Taxes* and K-IFRS 1019 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Consolidated Entity entered into to replace share-based payment arrangements of the acquiree are measured in accordance with K-IFRS 1102 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with K-IFRS 1105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of: a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree, and c) the fair value of the acquirer's previously held equity interest in the acquiree (if any); over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of: a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree, and c) the fair value of the acquirer's previously held interest in the acquiree (if any); the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another K-IFRS.

When the consideration transferred by the Consolidated Entity in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with K-IFRS 1039 Financial Instruments: Recognition and Measurement, or K-IFRS 1037 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Consolidated Entity's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Consolidated Entity reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

(4) Investments in associates and joint ventures

An associate is an entity over which the Consolidated Entity has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with K-IFRS 1105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Consolidated Entity's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Consolidated Entity's share of losses of an associate or a joint venture exceeds the Consolidated Entity's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Consolidated Entity's net investment in the associate or joint venture), the Consolidated Entity discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Consolidated Entity has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Any excess of the cost of acquisition over the Consolidated Entity's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate or a joint venture recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Consolidated Entity's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Upon disposal of an associate or a joint venture that results in the Consolidated Entity losing significant influence over that associate or joint venture, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with K-IFRS 1039. The difference between the previous carrying amount of the associate or joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Consolidated Entity accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis we would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Consolidated Entity reclassifies the gain or loss from equity to profit or loss (as reclassification adjustment) when it loses significant influence over that associate or joint venture.

When the Consolidated Entity reduces its ownership interest in an associate or a joint venture but the Consolidated Entity continues to use the equity method, the Consolidated Entity reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. In addition, the Consolidated Entity applies K-IFRS 5 to a portion of investment in an associate or a joint venture that meets the criteria to be classified as held for sale.

The requirements of K-IFRS 1039 *Financial Instruments: Recognition and Measurement* are applied to determine whether it is necessary to recognize any impairment loss with respect to the Consolidated Entity's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with K-IFRS 1036 *Impairment of Assets* by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with K-IFRS 1036 to the extent that the recoverable amount of the investment subsequently increases.

The Consolidated Entity continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When a group entity transacts with an associate or a joint venture of the Consolidated Entity, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Consolidated Entity's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Consolidated Entity.

(5) Foreign Currency

1) Foreign currency transactions

In preparing the consolidated financial statements of the Consolidated Entity, transactions in currencies other than the Consolidated Entity's functional currency (foreign currencies) are recorded by applying the rates of exchange at the dates of the transactions.

At the end of each reporting period foreign currency monetary items are translated using the closing rate which is the spot exchange rate at the end of the reporting period. Non-monetary items that are measured at fair value in a foreign currency are translated using the spot exchange rates at the date when the fair value was determined and non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in profit or loss in the period in which they arise. When gains or losses on a non-monetary item are recognized in other comprehensive income, any exchange component of those gains or losses are recognized in other comprehensive income. Conversely, when gains or losses on a non-monetary item are recognized in profit or loss, any exchange component of those gains or losses are recognized in profit or loss.

2) Foreign operations

The results and financial position of all foreign operations, whose functional currency differs from the Consolidated Entity's presentation currency, are translated into the Consolidated Entity's presentation currency using the following procedures:

Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position. Income and expenses for statement of comprehensive income presented are translated at average exchange rates for the period.

Any fair value adjustments to the carrying amounts of assets and liabilities arising from the acquisition of that foreign operation are treated as assets and liabilities of the foreign operation. Thus they are expressed in the functional currency of the foreign operation and are translated into the presentation currency at the closing rate.

On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, are reclassified from equity to profit or loss (as a reclassification adjustment) when the gains or losses on disposal are recognized. On the partial disposal of a subsidiary that includes a foreign operation, the Consolidated Entity re-attributes the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income to the non-controlling interests in that foreign operation. In any other partial disposal of a foreign operation, the Consolidated Entity reclassifies to profit or loss only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income.

(6) Recognition and Measurement of Financial Instruments

1) Initial recognition

The Consolidated Entity recognizes a financial asset or a financial liability in its consolidated statement of financial position when the Consolidated Entity becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets (a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by market regulation or practice) is recognized using trade date accounting.

The Consolidated Entity classifies the financial assets as financial assets at fair value through profit or loss (FVTPL), held-to-maturity investments, AFS financial assets, loans, receivables and financial liabilities as financial liabilities at FVTPL and other financial liabilities as the nature and holding purpose of financial instrument at initial recognition in the purpose of financial reporting.

At initial recognition, a financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The fair value of a financial instrument on initial recognition is normally the transaction price (that is, the fair value of the consideration given or received).

2) Subsequent measurement

After initial recognition, financial instruments are measured at one of the following based on classification at initial recognition.

① Amortized cost

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition and adjusted to reflect minus the principal repayments, plus or minus the cumulative amortization using the effective interest method (as defined below) and minus any reduction (directly or through the use of an allowances account) for impairment or bad debt expenses.

② Fair value

The fair values, which the Consolidated Entity primarily uses for measurement of financial instruments, are the published price quotations in an active market which are based on the market prices or the dealer price quotations of financial instruments traded in an active market where available, which are the best evidence of fair value.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Consolidated Entity uses valuation models that are commonly used by market participants and customized for the Consolidated Entity to determine fair values of common over-the-counter (OTC) derivatives such as options, interest rate swaps and currency swaps which are based on the inputs observable in markets. However for these more complex instruments, the Consolidated Entity uses internally developed models, which are usually based on valuation methods and techniques generally recognized as standard within the industry, or the value measured by the independent external valuation institution as the fair values if all or some of the inputs to the valuation models are not market observable and therefore it is necessary to measure fair value on certain assumptions.

Also, the Consolidated Entity classified measurements of fair value recognized in the financial statements into the following hierarchy.

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

The fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement. For this purpose, input that is significant is estimated by the entire measurement.

On the other hand, the fair value hierarchy of foreign currency financial instruments is not affected by fluctuation of foreign exchange rate.

Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for significant adjustments. In this situation, the measurement is regarded as Level 3.

If the valuation technique does not reflect all factors which market participants would consider in setting a price, the fair value is adjusted to reflect those factors. These factors include counterparty credit risk, bid-ask spread, liquidity risk and others.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the Consolidated Entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument or based on any available observable market data.

3) Derecognition

Derecognition is the removal of a previously recognized financial asset or financial liability from the consolidated statement of financial position. The following is criteria for removal:

① Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire or the financial assets have been transferred and substantially all the risks and rewards of ownership of the financial assets are also transferred or the financial assets have been neither transferred nor retained substantially all the risks, rewards of ownership and control. Therefore, if the Consolidated Entity neither transfers nor retains substantially all the risks and rewards of ownership of the financial assets, the Consolidated Entity continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

② Derecognition of financial liabilities
Financial liabilities are derecognized from the consolidated statement of financial position when the obligation specified in contract is discharged, canceled or expired.

4) Offsetting
A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Consolidated Entity currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(7) Cash and cash equivalents

Cash and cash equivalents include cash on hand, foreign currency, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Financial assets at FVTPL

This category comprises two sub-categories: financial assets classified as held for trading, and financial assets designated by the Consolidated Entity as at FVTPL upon initial recognition.

A non-derivative financial asset is classified as held for trading if either

- It is acquired for the purpose of selling it in the near term, or
- It is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

The Consolidated Entity may designate certain financial assets, other than held for trading, upon initial recognition as at FVTPL when one of the following conditions is met:

- It eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as ‘an accounting mismatch’) that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.
- A group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Bank is provided internally on that basis to the Consolidated Entity’s key management personnel.
- A contract containing one or more embedded derivatives may designate the entire hybrid (combined) contract as a financial asset at FVTPL if allowed according to K-IFRS No. 1039, *Financial Instruments: Recognition and measurement*.

After initial recognition, a financial asset at FVTPL is measured at fair value and gains or losses arising from a change in the fair value are recognized in profit or loss. Interest income, dividend income, and gains or losses from sale and repayment from financial assets at FVTPL are recognized in the statement of comprehensive income as net gains on financial instruments at FVTPL.

(9) Financial Investments

AFS and held-to-maturity financial assets are presented as financial investments.

① AFS financial assets

Profit or loss of financial assets classified as AFS, except for impairment loss and foreign exchange gains and losses, is recognized as other comprehensive income, and cumulative profit or loss is reclassified from equity to current profit or loss at the derecognition of financial asset, and it is recognized as part of other operating profit or loss in the consolidated statements of comprehensive income.

However, interest income measured using effective interest rate is recognized in current profit or loss, and dividends of financial assets classified as AFS are recognized when the right to receive payment is established.

AFS financial assets denominated in foreign currencies are translated at the closing rate.

For such a financial asset, exchange differences resulting from changes in amortized cost are recognized in profit or loss as part of other operating income and expenses. For AFS equity instruments that are not monetary items for example, equity instruments, the gains or losses that are recognized in other comprehensive income includes any related foreign exchange component.

② Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Consolidated Entity's management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are subsequently measured at amortized cost using the effective interest method after initial recognition and interest income is recognized using the effective interest rate.

(10) Loans

Non-derivative financial assets are classified as loans if these are not quoted in an active market and payments are fixed or determinable. After initial recognition, these are subsequently measured at amortized cost using the effective interest method.

(11) Impairment of financial assets

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

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

1) Loans

If there is objective evidence that an impairment loss on loans carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The Consolidated Entity 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 Consolidated Entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, 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).

① Individual assessment of impairment
Individual assessment of impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate and comparing the resultant present value with the loan's current carrying amount. This process normally encompasses management's best estimate, such as operating cash flow of borrower and net realizable value of any collateral held and the timing of anticipated receipts.

② Collective assessment of impairment
The methodology based on historical loss experience is used to estimate inherent incurred loss on groups of assets for collective evaluation of impairment. Such methodology incorporates factors such as type of product and borrowers, credit rating, portfolio size, loss emergence period, recovery period and applies probability of default (PD) on each assets (or pool of assets) and loss given default (LGD) by type of collateral. Also, consistent assumptions are applied to form a formula-based model in estimating inherent loss and to determine factors on the basis of historical loss experience and current condition. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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

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

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

(12) Derivatives

The Consolidated Entity enters into numerous numbers of derivatives such as currency forward, interest rate swaps, currency swaps and others for trading purpose or to manage its exposures to fluctuations in interest rates and currency exchange and others. These derivatives are presented as financial assets and liabilities at FVTPL and derivatives for hedging in accordance with purpose and subsequent measurement.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently measured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in net profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in such case the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Consolidated Entity designates certain derivatives as hedging instruments to hedge the risk of changes in fair value of a recognized asset or liability or firm contracts (fair value hedge).

At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Consolidated Entity's risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value attributable to the hedged risk.

1) Derivative for trading

All derivatives, except for derivatives that are designated and qualify for hedge accounting are classified as financial instruments held for trading and measured at fair value. Gains or losses arising from a change in fair value are recognized in profit or loss as part of net gains on financial instruments at fair value through profit or loss.

2) Derivative financial instruments for hedging

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the line of the income statement relating to the hedged item.

Fair value hedge accounting is discontinued prospectively if the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for hedge accounting or the Consolidated Entity revokes the designation. Once fair value hedge accounting is discontinued, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is fully amortized to profit or loss by the maturity of the financial instrument.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is recognized in the line of the consolidated statements of comprehensive income relating to the hedged item.

3) Embedded derivatives

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid (combined) instrument is not measured at fair value with changes in fair value recognized in profit or loss. Gains or losses arising from a change in the fair value of embedded derivative separated from host contract are recognized in profit or loss as part of net gains on financial instruments at FVTPL.

4) Day one profit and loss
If the Consolidated Entity uses a valuation technique that incorporates data not obtained from observable markets for the fair value at initial recognition of financial instruments, there may be a difference between the transaction price and the amount determined using that valuation technique. In these circumstances, the fair value of financial instruments is recognized as the transaction price and the difference is amortized by using straight line method over the life of the financial instruments. If the fair value of the financial instruments is determined using observable market inputs, the remaining deferred amount is recognized in profit or loss.

(13) Property and equipment

1) Recognition and measurement
All property and equipment that qualify for recognition as an asset are measured at its cost and subsequently carried at its cost less any accumulated depreciation and any accumulated impairment losses.

The cost of property and equipment includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent expenditures are capitalized only when they prolong the useful life or enhance values of the assets but the costs of the day-to-day servicing of the assets such as repair and maintenance costs are recognized in profit or loss as incurred. When part of an item of an asset has a useful life different from that of the entire assets, it is recognized as a separate asset.

2) Depreciation
Land is not depreciated whereas other property and equipment are depreciated using the method that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Consolidated Entity. The depreciable amount of an asset is determined after deducting its residual value.

The depreciation method is straight-line and estimated useful lives of the assets are as follows.

Property and equipment	Estimated useful lives
Buildings and structures	10–60 years
Vehicles	4 years
Tools, furniture and fixtures	4–20 years

The residual value, the useful life and the depreciation method applied to an asset are reviewed at least at each financial year end and, if expectations differ from previous estimates or if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the changes are accounted for as a change in an accounting estimate.

(14) Intangible assets

Intangible assets are measured initially at cost and subsequently carried at its cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets are amortized using the straight-line method with no residual value over their estimated useful economic life since the asset is available for use.

Intangible assets	Estimated useful lives
Software	5 years
System development fees	5 years

The amortization period and the amortization method for intangible assets with a definite useful life are reviewed at least at each financial year end. The useful life of an intangible asset that is not being amortized is reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If there is any change, it is accounted for as a change in an accounting estimate.

(15) Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Otherwise, a lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

1) Finance lease

At the commencement of the lease term, the Consolidated Entity recognizes finance leases as assets and liabilities in its statements of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Any initial direct costs of the lessee are added to the amount recognized as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability and the finance charge are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

2) Operating lease

Lease payments under an operating lease (net of any incentives received from the lessor) are recognized as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the asset's benefit.

(16) Impairment of non-financial assets

The Consolidated Entity assesses at the end of each reporting period whether there is any indication that a non-financial asset, except for deferred tax assets, assets arising from employee benefits and non-current assets (or group of assets to be sold) classified as held for sale, may be impaired. If any such indication exists, the Consolidated Entity estimates the recoverable amount of the asset. However, irrespective of whether there is any indication of impairment, the Consolidated Entity tests goodwill acquired in a business combination, an intangible asset with an indefinite useful life and an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount.

Recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Consolidated Entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss and recognized immediately in profit or loss.

(17) Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL include short-term financial liabilities and financial liabilities recognized as financial liabilities at FVTPL initially. Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Otherwise, the expense related issue is recognized in current profit or loss.

(18) Provisions

A provision is recognized when the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision, and where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Provisions on confirmed and unconfirmed acceptances and guarantees, unfunded commitments of credit card and unused credit line of consumer and corporate loans are recognized using valuation model that applies the credit conversion factor, default rates, and LGD. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provisions are reversed.

(19) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer (the Consolidated Entity) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognized at fair value and are amortized over the life of the contract. After initial recognition, financial guarantee contracts are measured at the higher of:

- The amount determined in accordance with K-IFRS 1037 *'Provisions, Contingent Liabilities and Contingent Assets'* and
- The initial amount recognized, less, when appropriate, cumulative amortization recognized in accordance with K-IFRS 1018. 'Revenue'

(20) Equity and Reserve

Equity and Reserve are any contract or agreement that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

(21) Interest income and expenses

Interest income and expenses are recognized using the effective interest method. Effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or groups of financial assets or financial liabilities) and of allocating the interest income or interest expenses over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Consolidated Entity estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. In those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the Consolidated Entity uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Interest on impaired financial assets is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(22) Fee and commission income

The Consolidated Entity recognizes financial service fee in accordance with the accounting standard of the financial instrument related to the fees earned

1) Fees that are an integral part of the effective interest of a financial instrument

   Such fees are generally treated as adjustments of effective interest. Such fees may include compensation for activities such as evaluating the borrower's financial condition, evaluating and recording guarantees, collateral and other security arrangements, negotiating the terms of the instrument, preparing and processing documents and closing the transaction and origination fees received on issuing financial liabilities measured at amortized cost.

   However, fees relating to the creation or acquisition of a financial asset at FVTPL are recognized as revenue immediately.

2) Fees earned as services are provided

   Such fees are recognized as revenue as the services are provided.

3) Fees that are earned on the execution of a significant act

   Such fees are recognized as revenue when the significant act has been completed.

(23) Dividend income

Dividend income is recognized in profit or loss when the right to receive payment is established. Dividend income from financial assets at FVTPL and financial investment is recognized in profit or loss as part of dividend income in the consolidated statements of comprehensive income.

(24) Employee compensation and benefits

1) Defined contribution plans

When employees render service related to defined contribution plans, contributions related to employees services are recognized in current profit or loss without contributions included in cost of assets. Contributions which are supposed to be paid are recognized in accrued expenses after deducting any amount already paid. Also, if contributions already paid exceed contributions which would be paid at the end of period, the amount of excess is recognized in prepaid expenses.

2) Defined benefit plans

All post-employment benefits, other than defined contribution plans, are classified as defined benefit plans. The amount recognized as a defined benefit liability is the present value of the defined benefit obligation less the fair value of plan assets at the end of the reporting period.

The present value of defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit method. Actuarial gains and losses recognized are immediately recognized in other comprehensive income (loss) and not reclassified to profit or loss in a subsequent period.

3) Short—term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits are recognized in current profit and loss when employees render the related service. Short-term employee benefits are not discounted.

(25) Taxation

Income tax expense comprises current tax expense and deferred income tax expense. Current and deferred income tax are recognized as income or an expense and included in profit or loss for the period, except for comprehensive income or directly in equity and a business combination.

1) Current tax

Current income tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (tax loss) for a period. The difference between the taxable profit and accounting profit may arise when income or expenses are included in accounting profit in one period, but is included in taxable profit in a different period, and if there is revenue that is exempt from taxation, expenses that are not deductible in determining taxable profit (tax loss). Current income tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The Consolidated Entity offsets current income tax assets and current income tax liabilities if, and only if, the Consolidated Entity has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2) Deferred tax

Deferred tax is recognized, using the asset-liability method, on temporary differences arising between the tax-based amount of assets and liabilities and their carrying amount in the financial statements. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except for deferred tax liabilities which the timing of the reversal of the temporary difference is controlled by the Consolidated Entity and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. The Consolidated Entity reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Consolidated Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Consolidated Entity offsets deferred tax assets and deferred tax liabilities when the Consolidated Entity has a legally enforceable right to set off current tax assets against current tax liabilities; and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity; or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4. RISK MANAGEMENT

4-1. Summary

(1) Overview of Risk Management Policy

The financial risks that the Consolidated Entity is exposed to are credit risk, market risk, liquidity risk, operational risk, interest risk, credit concentration risk, strategy/reputational risk, outsourcing risk, settlement risk and others. Credit risk, market risk, liquidity risk, and operational risk have been recognized as the Consolidated Entity's key risks.

The Consolidated Entity's risk management system focuses on increasing transparency, developing risk management environment, and preemptive response to risk due to rapid changes in financial environment to support the Consolidated Entity's long-term strategy and business decision efficiently.

The Note regarding financial risk management provides information about the risks that the Consolidated Entity is exposed to, the objective, policies and process for managing the risk, the methods used to measure the risk, and capital adequacy. Additional quantitative information is disclosed throughout the consolidated financial statements.

(2) Risk Management Group

1) Risk Management Committee
The Risk Management Committee establishes risk management strategies in accordance with the directives of the Board of Directors and determines the Consolidated Entity's target risk appetite, approves significant risk matters and reviews the level of risks that the Consolidated Entity is exposed to and the appropriateness of the Consolidated Entity's risk management operations as an ultimate decision-making authority.

2) Risk Management Council
The Risk Management Council is a consultative group which reviews and makes decisions on matters delegated by the Risk Management Committees and discusses the detailed issues relating to the Consolidated Entity's risk management.

3) Risk Management Practices Committee
The Risk Management Practices Committee assists the Risk Management Committee and the Risk Management Council. It performs practical work process relating to risk management plan, risk management strategy, risk measurement, risk analysis, economic capital limit and others.

4-2. Credit risk

(1) Overview of Credit Risk

Credit risk is the risk of possible losses in an asset portfolio in the events of counterparty's default, breach of contract and deterioration in the credit quality of the counterparty. For the risk management reporting purposes, the individual borrower's default risk, country risk, specific risks and other credit risk exposure components are considered as a whole.

(2) Credit Risk Management

The Consolidated Entity controls the credit concentration risk exposure by applying and managing total exposure limits to prevent the excessive risk concentration to specific industry and specific borrowers. The Consolidated Entity maintains allowances for loan losses associated with credit risk on loans and receivables to manage its credit risk.

The Consolidated Entity recognizes impairment loss on loans with carrying amount at amortized cost when there is any objective indication of impairment. Under K-IFRS, impairment loss is based on losses incurred at the end of the reporting period and the Consolidated Entity should not recognize expected losses that are probable due to future events. The Consolidated Entity measures inherent incurred losses on financial assets classified as loans and receivables and presents it in the consolidated financial statements through the use of an allowances account which is charged against the related financial assets.

(3) Maximum exposure to credit risk

The Consolidated Entity's maximum exposure of financial instruments to credit risk as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS) are as follows (Korean won in millions):

	Dec 31, 2013		Dec 31, 2012		Jan 1, 2012	
Cash and due from financial institutions	₩	2,281,520	₩	1,968,966	₩	2,399,878
Financial assets at FVTPL		154,368		42,908		203,047
Hedging derivative assets		378,324		873,273		994,233
Loans (*1)		53,622,167		47,634,846		47,805,640
Financial investments (*2)		514,266		316,240		333,274
Other financial assets		854,343		688,415		656,721
Acceptances and guarantee contracts		54,064,005		53,083,589		61,314,990
Commitments (*3)		26,489,237		28,342,520		15,491,099
	₩	138,358,230	₩	132,950,757	₩	129,198,882

(*1) Loan valuation adjustment in a fair value hedging is excluded.

(*2) Financial investments exclude AFS securities valuation adjustment related to fair value hedging which is included in AFS securities in foreign currency in Note 9.

(*3) Commitments exclude commitments on purchase of beneficiary certificates which are included in other commitments in Note 37.

(4) Credit risk of loans

The Consolidated Entity maintains allowances for loan losses associated with credit risk on loans to manage its credit risk.

The Consolidated Entity recognizes impairment loss on loans with carrying amount at amortized cost when there is any objective indication of impairment. Under K-IFRS, impairment loss is based on losses incurred at the end of the reporting period and the Consolidated Entity should not recognize expected losses that are probable due to future events. The Consolidated Entity measures inherent incurred losses on financial assets classified as loans and presents them in the consolidated financial statements through the use of an allowances account which is charged against the related financial assets.

The Consolidated Entity writes off on non-profitable loans, non-recoverable loans, loans classified estimated loss by asset quality category, loans requested written off by Financial Supervisory Service ("FSS") and others under approval of Loan Management Committee.

Loans are categorized as follows (Korean won in millions):

(Dec 31, 2013)

	Individual assessment	Collective assessment	Total	Ratio (%)
Loans:				
Normal				
Not past due	₩ 238,849	₩ 49,969,797	₩ 50,208,646	92.93
Past due	–	178,282	178,282	0.33
Impairment	3,494,025	148,589	3,642,614	6.74
	3,732,874	50,296,668	54,029,542	100.00
Net deferred origination fees and costs:				
Normal				
Not past due	(9)	(404,339)	(404,348)	99.26
Past due	–	(2,505)	(2,505)	0.61
Impairment	(736)	214	(522)	0.13
	(745)	(406,630)	(407,375)	100.00
Carrying amounts before deducting allowances:				
Normal				
Not past due	238,840	49,565,458	49,804,298	92.88
Past due	–	175,777	175,777	0.33
Impairment	3,493,289	148,803	3,642,092	6.79
	3,732,129	49,890,038	53,622,167	100.00
Allowances:				
Normal				
Not past due	(26,274)	(186,754)	(213,028)	8.88
Percentage (%)	11.00	0.38	0.43	–
Past due	–	(6,955)	(6,955)	0.29
Percentage (%)	–	3.96	3.96	–
Impairment	(2,073,009)	(104,922)	(2,177,931)	90.83
Percentage (%)	59.34	70.51	59.80	–
	(2,099,283)	(298,631)	(2,397,914)	100.00
Percentage (%)	56.25	0.60	4.47	
Carrying amounts:				
Normal				
Not past due	212,566	49,378,704	49,591,270	96.81
Past due	–	168,822	168,822	0.33
Impairment	1,420,280	43,881	1,464,161	2.86
Total	**₩ 1,632,846**	**₩ 49,591,407**	**₩ 51,224,253**	**100.00**

(Dec 31, 2012)

	Individual assessment	Collective assessment	Total	Ratio (%)
Loans:				
Normal				
Not past due	₩ 147,255	₩ 44,508,381	₩ 44,655,636	93.05
Past due	–	280,742	280,742	0.58
Impairment	2,898,048	157,367	3,055,415	6.37
	3,045,303	44,946,490	47,991,793	100.00
Net deferred origination fees and costs:				
Normal				
Not past due	–	(351,177)	(351,177)	98.38
Past due	–	(5,340)	(5,340)	1.50
Impairment	(740)	310	(430)	0.12
	(740)	(356,207)	(356,947)	100.00
Carrying amounts before deducting allowances:				
Normal				
Not past due	147,255	44,157,204	44,304,459	93.01
Past due	–	275,402	275,402	0.58
Impairment	2,897,308	157,677	3,054,985	6.41
	3,044,563	44,590,283	47,634,846	100.00
Allowances:				
Normal				
Not past due	(20,377)	(198,001)	(218,378)	10.87
Percentage (%)	13.84	0.45	0.49	–
Past due	–	(5,580)	(5,580)	0.28
Percentage (%)	–	2.03	2.03	–
Impairment	(1,679,344)	(104,824)	(1,784,168)	88.85
Percentage (%)	57.96	66.48	58.40	–
	(1,699,721)	(308,405)	(2,008,126)	100.00
Percentage (%)	55.83	0.69	4.22	
Carrying amounts:				
Normal				
Not past due	126,878	43,959,203	44,086,081	96.62
Past due	–	269,822	269,822	0.59
Impairment	1,217,964	52,853	1,270,817	2.79
Total	**₩ 1,344,842**	**₩ 44,281,878**	**₩ 45,626,720**	**100.00**

(Jan 1, 2012)

	Individual assessment	Collective assessment	Total	Ratio (%)
Loans:				
Normal				
Not past due	₩ 205,161	₩ 45,593,421	₩ 45,798,582	95.12
Past due	–	4,019	4,019	0.01
Impairment	2,219,045	127,632	2,346,677	4.87
	2,424,206	45,725,072	48,149,278	100.00
Net deferred origination fees and costs:				
Normal				
Not past due	–	(342,982)	(342,982)	99.81
Past due	–	(1)	(1)	–
Impairment	(869)	214	(655)	0.19
	(869)	(342,769)	(343,638)	100.00
Carrying amounts before deducting allowances:				
Normal				
Not past due	205,161	45,250,439	45,455,600	95.08
Past due	–	4,018	4,018	0.01
Impairment	2,218,176	127,846	2,346,022	4.91
	2,423,337	45,382,303	47,805,640	100.00
Allowances:				
Normal				
Not past due	(29,916)	(196,965)	(226,881)	14.39
Percentage (%)	14.58	0.44	0.50	–
Past due	–	(383)	(383)	0.02
Percentage (%)	–	9.53	9.53	–
Impairment	(1,261,764)	(87,821)	(1,349,585)	85.59
Percentage (%)	56.88	68.69	57.53	–
	(1,291,680)	(285,169)	(1,576,849)	100.00
Percentage (%)	53.30	0.63	3.30	
Carrying amounts:				
Normal				
Not past due	175,245	45,053,474	45,228,719	97.83
Past due	–	3,635	3,635	0.01
Impairment	956,412	40,025	996,437	2.16
Total	**₩ 1,131,657**	**₩ 45,097,134**	**₩ 46,228,791**	**100.00**

The above carrying amounts do not include loan valuation adjustment related to fair value hedging amounting to ₩151,421 million and ₩240,424 million, ₩303,576 million respectively, as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS).

1) Credit quality of loans that are neither past due nor impaired

Credit quality of loans that are neither past due nor impaired as of December 31, 2013, December 31 2012, and January 1, 2012 (the date of transition to K-IFRS) are as follows (Korean won in millions):

(Dec 31, 2013)

	Loans							
	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)	Deferred loan origination fees and costs	Allowances	Carrying amount
Best	₩ 1,910,299	₩ 4,373,861	₩ 612,155	₩ 6,896,315	13.74	₩ (18,236)	₩ (3,484)	₩ 6,874,595
Outstanding	4,973,463	24,051,137	3,835,459	32,860,059	65.45	(353,715)	(85,262)	32,421,082
Good	3,155,001	5,302,281	1,234,410	9,691,692	19.30	(32,379)	(101,106)	9,558,207
Below normal	109,039	464,955	186,586	760,580	1.51	(18)	(23,176)	737,386
	₩ 10,147,802	₩ 34,192,234	₩ 5,868,610	₩ 50,208,646	100.00	₩ (404,348)	₩ (213,028)	₩ 49,591,270

(Dec 31, 2012)

	Loans							
	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)	Deferred loan origination fees and costs	Allowances	Carrying amount
Best	₩ 1,704,046	₩ 4,701,036	₩ 450,027	₩ 6,855,109	15.35	₩ (18,358)	₩ (4,416)	₩ 6,832,335
Outstanding	5,143,394	20,727,518	3,201,388	29,072,300	65.10	(294,100)	(92,440)	28,685,760
Good	2,584,781	4,643,620	608,443	7,836,844	17.55	(34,724)	(102,553)	7,699,567
Below normal	24,755	668,725	197,903	891,383	2.00	(3,995)	(18,969)	868,419
	₩ 9,456,976	₩ 30,740,899	₩ 4,457,761	₩ 44,655,636	100.00	₩ (351,177)	₩ (218,378)	₩ 44,086,081

(Jan 1, 2012)

	Loans							
	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)	Deferred loan origination fees and costs	Allowances	Carrying amount
Best	₩ 1,737,538	₩ 5,947,906	₩ 841,766	₩ 8,527,210	18.61	₩ (6,867)	₩ (5,309)	₩ 8,515,034
Outstanding	4,637,247	22,410,628	2,101,296	29,149,171	63.65	(296,334)	(112,426)	28,740,411
Good	2,275,004	4,199,873	797,063	7,271,940	15.88	(35,819)	(99,458)	7,136,663
Below normal	4,497	652,032	193,732	850,261	1.86	(3,962)	(9,688)	836,611
	₩ 8,654,286	₩ 33,210,439	₩ 3,933,857	₩ 45,798,582	100.00	₩ (342,982)	₩ (226,881)	₩ 45,228,719

2) Aging analysis of loans that are past due but not impaired

Aging analysis of loans that are past due but not impaired as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS) are as follows (Korean won in millions):

(Dec 31, 2013)

	Loans							
	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)	Deferred loan origination fees and costs	Allowances	Carrying amount
Within one month	₩ 1,191	₩ –	₩ –	₩ 1,191	0.67	₩ –	₩ (43)	₩ 1,148
Within two months	–	159,632	–	159,632	89.54	(2,505)	(6,337)	150,790
Within three months	–	–	–	–	–	–	–	–
Over three months	–	–	17,459	17,459	9.79	–	(575)	16,884
	₩ 1,191	₩ 159,632	₩ 17,459	₩ 178,282	100.00	₩ (2,505)	₩ (6,955)	₩ 168,822

(Dec 31, 2012)

	Loans							
	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)	Deferred loan origination fees and costs	Allowances	Carrying amount
Within one month	₩ –	₩ –	₩ 101,852	₩ 101,852	36.28	₩ –	₩ (2,472)	₩ 99,380
Within two months	–	–	65,224	65,224	23.23	–	(1,426)	63,798
Within three months	–	59,380	47,599	106,979	38.11	(5,340)	(1,512)	100,127
Over three months	–	–	6,687	6,687	2.38	–	(170)	6,517
	₩ –	₩ 59,380	₩ 221,362	₩ 280,742	100.00	₩ (5,340)	₩ (5,580)	₩ 269,822

(Jan 1, 2012)

	Loans							
	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)	Deferred loan origination fees and costs	Allowances	Carrying amount
Within one month	₩ –	₩ 1,038	₩ 579	₩ 1,617	40.23	₩ –	₩ (135)	₩ 1,482
Within two months	600	–	–	600	14.93	–	(73)	527
Within three months	61	–	681	742	18.46	–	(24)	718
Over three months	–	216	844	1,060	26.38	(1)	(151)	908
	₩ 661	₩ 1,254	₩ 2,104	₩ 4,019	100.00	₩ (1)	₩ (383)	₩ 3,635

3) Loans assessed for impairment on an individual basis

Loans assessed for impairment on an individual basis, by country and industry of the Consolidated Entity's counterparties, are as follows (Korean won in millions):

(Dec 31, 2013)

	Loans			Impairment			Impairment ratio (%)		
	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	Foreign	Total
Manufacturing	₩ 3,268,557	₩ 23,016	₩ 3,291,573	₩ (1,971,741)	₩ (23,016)	₩ (1,994,757)	60.32	100.00	60.60
Construction	201,716	–	201,716	(78,252)	–	(78,252)	38.79	–	38.79
	₩ 3,470,273	₩ 23,016	₩ 3,493,289	₩ (2,049,993)	₩ (23,016)	₩ (2,073,009)	59.07	100.00	59.34

(Dec 31, 2012)

	Loans			Impairment			Impairment ratio (%)		
	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	Foreign	Total
Manufacturing	₩ 2,805,266	₩ 44,554	₩ 2,849,820	₩ (1,618,750)	₩ (38,295)	₩ (1,657,045)	57.70	85.95	58.15
Construction	47,488	–	47,488	(22,299)	–	(22,299)	46.96	–	46.96
	₩ 2,852,754	₩ 44,554	₩ 2,897,308	₩ (1,641,049)	₩ (38,295)	₩ (1,679,344)	57.53	85.95	57.96

(Jan 1, 2012)

	Loans			Impairment			Impairment ratio (%)		
	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	Foreign	Total
Manufacturing	₩ 2,086,208	₩ 19,721	₩ 2,105,929	₩ (1,228,072)	₩ (16,130)	₩ (1,244,202)	58.87	81.79	59.08
Wholesale and Retail	100,714	11,533	112,247	(17,562)	–	(17,562)	17.44	–	15.65
	₩ 2,186,922	₩ 31,254	₩ 2,218,176	₩ (1,245,634)	₩ (16,130)	₩ (1,261,764)	56.96	51.61	56.88

(5) Credit quality of securities (debt securities)

1) Securities (debt securities) exposed to credit risk as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K–IFRS) are as follows (Korean won in millions):

	Dec 31, 2013	Dec 31, 2012	Jan 1, 2012
Securities that are neither past due nor impaired	₩ 514,266	₩ 316,240	₩ 333,274

Financial investments exclude AFS securities valuation adjustment related to fair value hedging which is included in AFS securities in foreign currency.

2) Credit quality of securities (debt securities) that are neither past due nor impaired as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K–IFRS) is as follows (Korean won in millions):

(Dec 31, 2013)

	Credit quality (*1)					
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Total
AFS financial assets	₩ 98,032	₩ 158,841	₩ –	₩ –	₩ –	₩ 256,873
Held–to–maturity financial assets	190,858	66,535	–	–	–	257,393
	₩ 288,890	₩ 225,376	₩ –	₩ –	₩ –	₩ 514,266

(Dec 31, 2012)

	Credit quality (*1)					
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Total
AFS financial assets	₩ 108,562	₩ –	₩ –	₩ 115	₩ –	₩ 108,677
Held–to–maturity financial assets	204,033	3,530	–	–	–	207,563
	₩ 312,595	₩ 3,530	₩ –	₩ 115	₩ –	₩ 316,240

(Jan 1, 2012)

	Credit quality (*1)					
	Grade 1	Grade 2	Grade 3	Grade 4	Grade 5	Total
AFS financial assets	₩ 64,717	₩ –	₩ –	₩ 5,007	₩ –	₩ 69,724
Held–to–maturity financial assets	232,971	21,489	9,090	–	–	263,550
	₩ 297,688	₩ 21,489	₩ 9,090	₩ 5,007	₩ –	₩ 333,274

(*1) Credit quality is classified based on internal credit quality grade as below.

	Credit rating
Grade 1	AAA — BBB
Grade 2	BBB- — BB
Grade 3	BB- — B
Grade 4	B- — C
Grade 5	D

(6) Concentration of credit risk

The amounts disclosed below do not include loan valuation adjustment related to fair value hedging amounting to ₩151,421 million and ₩240,424 million, ₩303,576 million, respectively, as of December 31, 2013, December 31, 2012 and January 1, 2012.

1) Loans by country where the credit risk belongs to as of December 31, 2013, December 31 2012, and January 1, 2012 (the date of transition to K–IFRS) are as follows (Korean won in millions):

(Dec 31, 2013)

	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)	Deferred loan origination fees	Allowances	Carrying amounts
Asia:								
Korea	₩ 13,575,026	₩ 8,206,061	₩ 1,679,284	₩ 23,460,371	43.42	₩ (6,241)	₩ (2,216,513)	₩ 21,237,617
China	7,239	2,602,877	404,983	3,015,099	5.58	(1,149)	(38,749)	2,975,201
Saudi Arabia	–	2,198,204	28,338	2,226,542	4.12	(69,453)	(7,324)	2,149,765
India	–	1,284,377	18,428	1,302,805	2.41	(22,150)	(2,432)	1,278,223
Iran	–	114,612	17,302	131,914	0.24	(4,821)	(1,139)	125,954
Indonesia	–	2,376,019	146,018	2,522,037	4.67	(61,257)	(15,008)	2,445,772
Vietnam	–	1,396,361	145,196	1,541,557	2.85	(22,238)	(7,256)	1,512,063
Others	–	3,844,446	3,030,590	6,875,036	12.74	(58,430)	(25,009)	6,791,597
	13,582,265	22,022,957	5,470,139	41,075,361	76.03	(245,739)	(2,313,430)	38,516,192
Europe:								
Russia	–	958,574	193,712	1,152,286	2.13	(1)	(29,650)	1,122,635
England	–	255,294	2,023	257,317	0.48	(669)	(440)	256,208
Belgium	–	76,712	7,391	84,103	0.16	(256)	(28)	83,819
France	–	383,032	13,613	396,645	0.73	(7,102)	(693)	388,850
Cyprus	–	92,920	–	92,920	0.17	(1,626)	–	91,294
Netherlands	–	211,258	–	211,258	0.39	(1,622)	(410)	209,226
Malta	–	195,230	–	195,230	0.36	(2,931)	(47)	192,252
Others	2,224	2,236,442	157,287	2,395,953	4.44	(57,935)	(20,206)	2,317,812
	2,224	4,409,462	374,026	4,785,712	8.86	(72,142)	(51,474)	4,662,096
America:								
Panama	–	1,736,840	–	1,736,840	3.21	(6,009)	(2,376)	1,728,455
United States	–	1,416,251	87,326	1,503,577	2.78	(19,849)	(9,681)	1,474,047
The British Virgin Islands	–	560,604	–	560,604	1.04	(4,384)	(705)	555,515
Mexico	–	488,960	–	488,960	0.90	(8,658)	(5,001)	475,301
Others	–	1,093,898	–	1,093,898	2.03	(8,882)	(3,970)	1,081,046
	–	5,296,553	87,326	5,383,879	9.96	(47,782)	(21,733)	5,314,364
Africa:								
Marshall Islands	–	1,659,543	–	1,659,543	3.07	(19,424)	(1,741)	1,638,378
Liberia	–	417,565	277	417,842	0.77	(4,755)	(6,823)	406,264
Malagasy	–	452,240	–	452,240	0.84	(2,960)	(1,702)	447,578
Others	–	252,188	2,777	254,965	0.47	(14,573)	(1,011)	239,381
	–	2,781,536	3,054	2,784,590	5.15	(41,712)	(11,277)	2,731,601
Total	**₩ 13,584,489**	**₩ 34,510,508**	**₩ 5,934,545**	**₩ 54,029,542**	**100.00**	**₩ (407,375)**	**₩ (2,397,914)**	**₩ 51,224,253**

(Dec 31, 2012)

	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)	Deferred loan origination fees	Allowances	Carrying amounts
Asia:								
Korea	₩ 12,245,615	₩ 7,949,068	₩ 951,468	₩ 21,146,151	44.06	₩ (8,527)	₩ (1,807,767)	₩ 19,329,857
China	–	2,414,326	216,887	2,631,213	5.48	(1,044)	(52,907)	2,577,262
Saudi Arabia	–	1,827,952	945	1,828,897	3.81	(78,737)	(7,690)	1,742,470
India	–	1,199,372	39,139	1,238,511	2.58	(18,275)	(2,967)	1,217,269
Iran	–	154,593	286,620	441,213	0.92	(6,168)	(7,281)	427,764
Indonesia	–	1,264,837	168,954	1,433,791	2.99	(49,656)	(11,656)	1,372,479
Vietnam	–	1,032,403	48,405	1,080,808	2.25	(4,274)	(5,978)	1,070,556
Others	–	2,790,166	1,426,295	4,216,461	8.79	(37,130)	(26,931)	4,152,400
	12,245,615	18,632,717	3,138,713	34,017,045	70.88	(203,811)	(1,923,177)	31,890,057
Europe:								
Russia	–	703,641	192,151	895,792	1.87	(37)	(24,399)	871,356
England	–	358,136	749,992	1,108,128	2.31	(2,337)	(568)	1,105,223
Belgium	–	96,854	107,110	203,964	0.42	(329)	–	203,635
France	–	358,196	1,118	359,314	0.75	(7,329)	(544)	351,441
Cyprus	–	117,467	–	117,467	0.24	(1,856)	–	115,611
Netherlands	–	206,321	674	206,995	0.43	(1,707)	(611)	204,677
Malta	–	217,025	–	217,025	0.45	(3,240)	(124)	213,661
Others	–	2,031,622	410,005	2,441,627	5.09	(64,849)	(21,656)	2,355,122
	–	4,089,262	1,461,050	5,550,312	11.56	(81,684)	(47,902)	5,420,726
America:								
Panama	–	1,939,526	–	1,939,526	4.04	(5,482)	(3,653)	1,930,391
United States	–	1,532,137	121,781	1,653,918	3.45	(12,066)	(18,553)	1,623,299
The British Virgin Islands	–	633,818	–	633,818	1.32	(4,875)	(733)	628,210
Mexico	–	457,909	–	457,909	0.95	(9,270)	(2,465)	446,174
Others	–	940,622	25,438	966,060	2.01	(2,130)	(3,343)	960,587
	–	5,504,012	147,219	5,651,231	11.77	(33,823)	(28,747)	5,588,661
Africa:								
Marshall Islands	–	1,449,565	–	1,449,565	3.02	(8,860)	(2,789)	1,437,916
Liberia	–	823,832	–	823,832	1.72	(10,828)	(3,248)	809,756
Malagasy	–	487,351	–	487,351	1.02	(3,242)	(2,149)	481,960
Others	–	4,713	7,744	12,457	0.03	(14,699)	(114)	2,356
	–	2,765,461	7,744	2,773,205	5.79	(37,629)	(8,300)	2,727,276
Total	₩ 12,245,615	₩ 30,991,452	₩ 4,754,726	₩ 47,991,793	100.00	₩ (356,947)	₩ (2,008,126)	₩ 45,626,720

(Jan 1, 2012)

	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)	Deferred loan origination fees	Allowances	Carrying amounts
Asia:								
Korea	₩ 10,528,039	₩ 10,911,893	₩ 537,479	₩ 21,977,411	45.63	₩ (12,240)	₩ (1,392,232)	₩ 20,572,939
China	–	2,169,821	134,162	2,303,983	4.79	(1,268)	(38,137)	2,264,578
Saudi Arabia	–	1,845,640	20,417	1,866,057	3.88	(91,007)	(8,989)	1,766,061
India	–	516,677	542,365	1,059,042	2.20	(18,336)	(10,383)	1,030,323
Iran	–	1,269,099	25,316	1,294,415	2.69	(39,890)	(3,455)	1,251,070
Indonesia	–	755,420	158,963	914,383	1.90	(28,782)	(7,132)	878,469
Vietnam	–	835,664	68,118	903,782	1.88	(2,025)	(6,353)	895,404
Others	–	1,793,616	1,733,776	3,527,392	7.33	(13,652)	(12,662)	3,501,078
	10,528,039	20,097,830	3,220,596	33,846,465	70.29	(207,200)	(1,479,343)	32,159,922
Europe:								
Russia	–	816,687	230,712	1,047,399	2.17	(211)	(30,293)	1,016,895
England	–	447,622	4,371	451,993	0.94	(5,303)	(1,063)	445,627
Belgium	–	331,132	117,984	449,116	0.93	(912)	(207)	447,997
France	–	439,995	5,775	445,770	0.93	(8,965)	(491)	436,314
Cyprus	–	423,922	–	423,922	0.88	(3,413)	(1,408)	419,101
Netherlands	–	264,538	70,595	335,133	0.70	(2,251)	(1,322)	331,560
Malta	–	311,946	–	311,946	0.65	(3,511)	(1,438)	306,997
Others	–	1,530,048	134,281	1,664,329	3.45	(48,007)	(17,561)	1,598,761
	–	4,565,890	563,718	5,129,608	10.65	(72,573)	(53,783)	5,003,252
America:								
Panama	–	2,308,857	–	2,308,857	4.80	(6,786)	(4,522)	2,297,549
United States	–	1,425,817	136,884	1,562,701	3.25	(6,723)	(18,614)	1,537,364
The British Virgin Islands	–	667,911	–	667,911	1.39	(2,081)	(863)	664,967
Mexico	–	438,384	–	438,384	0.91	(14,222)	(2,137)	422,025
Bermuda	–	320,665	–	320,665	0.67	(1,494)	(1,695)	317,476
Others	–	684,282	29,853	714,135	1.48	(2,606)	(2,976)	708,553
	–	5,845,916	166,737	6,012,653	12.50	(33,912)	(30,807)	5,947,934
Africa:								
Marshall Islands	–	1,575,920	–	1,575,920	3.27	(9,559)	(5,192)	1,561,169
Liberia	–	982,839	–	982,839	2.04	(14,236)	(4,826)	963,777
Malagasy	–	524,752	–	524,752	1.09	(4,192)	(2,168)	518,392
Others	–	12,986	64,055	77,041	0.16	(1,966)	(730)	74,345
	–	3,096,497	64,055	3,160,552	6.56	(29,953)	(12,916)	3,117,683
Total	₩ 10,528,039	₩ 33,606,133	₩ 4,015,106	₩ 48,149,278	100.00	₩ (343,638)	₩ (1,576,849)	₩ 46,228,791

2) Loans by industry as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K–IFRS) are as follows (Korean won in millions):

(Dec 31, 2013)

	Loans							
	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)	Deferred loan origination fees	Allowances	Carrying Amounts
Manufacturing	₩ 9,886,878	₩ 17,916,276	₩ 509,382	₩ 28,312,536	52.39	₩ (181,560)	₩ (2,203,050)	₩ 25,927,926
Transportation	188,150	5,542,734	–	5,730,884	10.61	(70,332)	(27,367)	5,633,185
Financial institutions	165,000	2,717,834	5,257,351	8,140,185	15.07	(5,259)	(28,246)	8,106,680
Wholesale and retail	877,781	1,429,000	99,488	2,406,269	4.45	(1,675)	(13,257)	2,391,337
Real estate	–	121,887	–	121,887	0.23	(150)	(267)	121,470
Construction	2,102,888	1,781,774	35,327	3,919,989	7.26	(5,424)	(89,908)	3,824,657
Public sector and others	363,792	5,001,003	32,997	5,397,792	9.99	(142,975)	(35,819)	5,218,998
	₩ 13,584,489	₩ 34,510,508	₩ 5,934,545	₩ 54,029,542	100.00	₩ (407,375)	₩ (2,397,914)	₩ 51,224,253

(Dec 31, 2012)

	Loans							
	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)	Deferred loan origination fees	Allowances	Carrying Amounts
Manufacturing	₩ 9,889,137	₩ 16,402,656	₩ 552,443	₩ 26,844,236	55.94	₩ (156,998)	₩ (1,864,769)	₩ 24,822,469
Transportation	133,450	6,311,192	–	6,444,642	13.43	(71,998)	(25,686)	6,346,958
Financial institutions	150,000	2,153,681	4,007,904	6,311,585	13.15	(7,460)	(32,196)	6,271,929
Wholesale and retail	714,449	1,794,012	95,714	2,604,175	5.43	(2,066)	(14,495)	2,587,614
Real estate	–	20,886	–	20,886	0.04	2	(64)	20,824
Construction	1,218,342	826,321	50,957	2,095,620	4.37	(5,737)	(28,689)	2,061,194
Public sector and others	140,237	3,482,704	47,708	3,670,649	7.64	(112,690)	(42,227)	3,515,732
	₩ 12,245,615	₩ 30,991,452	₩ 4,754,726	₩ 47,991,793	100.00	₩ (356,947)	₩ (2,008,126)	₩ 45,626,720

(Jan 1, 2012)

	Loans							
	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)	Deferred loan origination fees	Allowances	Carrying Amounts
Manufacturing	₩ 8,079,116	₩ 16,463,558	₩ 937,230	₩ 25,479,904	52.91	₩ (166,491)	₩ (1,435,313)	₩ 23,878,100
Transportation	132,790	7,701,366	–	7,834,156	16.27	(74,645)	(35,840)	7,723,671
Financial institutions	330,000	3,252,659	2,685,370	6,268,029	13.02	(8,665)	(24,472)	6,234,892
Wholesale and retail	1,107,705	1,771,981	203,087	3,082,773	6.40	(2,916)	(28,441)	3,051,416
Real estate	–	23,643	–	23,643	0.05	–	(80)	23,563
Construction	726,070	1,202,867	–	1,928,937	4.01	(826)	(4,702)	1,923,409
Public sector and others	152,358	3,190,059	189,419	3,531,836	7.34	(90,095)	(48,001)	3,393,740
	₩ 10,528,039	₩ 33,606,133	₩ 4,015,106	₩ 48,149,278	100.00	₩ (343,638)	₩ (1,576,849)	₩ 46,228,791

3) Concentration of credit risk of securities (debt securities) by industry as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K–IFRS) is as follows (Korean won in millions):

	Dec 31, 2013		Dec 31, 2012		Jan 1, 2012	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
AFS financial assets						
Government and government–sponsored institutions	₩ 70,387	27.40	₩ 21,825	20.08	₩ –	–
Banking and insurance	128,109	49.87	41,974	38.62	35,419	50.80
Others	58,377	22.73	44,878	41.30	34,305	49.20
	256,873	100.00	108,677	100.00	69,724	100.00
Held–to–maturity financial assets						
Government and government–sponsored institutions	34,244	13.30	33,302	16.04	45,733	17.35
Banking and insurance	142,096	55.21	80,670	38.87	114,019	43.26
Others	81,053	31.49	93,591	45.09	103,798	39.39
	257,393	100.00	207,563	100.00	263,550	100.00
	₩ 514,266		₩ 316,240		₩ 333,274	

4) Concentration of credit risk of securities (debt securities) by country as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS) are as follows (Korean won in millions):

	Dec 31, 2013		Dec 31, 2012		Jan 1, 2012	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
AFS financial assets						
Korea	₩ 183,073	71.27	₩ 83,556	76.88	₩ 56,017	80.34
Others	73,800	28.73	25,121	23.12	13,707	19.66
	256,873	100.00	108,677	100.00	69,724	100.00
Held-to-maturity financial assets						
Korea	99,868	38.80	97,168	46.81	129,539	49.15
Others	157,525	61.20	110,395	53.19	134,011	50.85
	257,393	100.00	207,563	100.00	263,550	100.00
	₩ 514,266		₩ 316,240		₩ 333,274	

5) Details of credit enhancement and its financial effect as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS) are as follows (Korean won in millions):

(Dec 31, 2013)

	Loans (*1)	Acceptances and guarantees	Unused loan commitments	Total	Ratio (%)
Maximum exposure to credit risk	₩ 53,622,167	₩ 54,064,005	₩ 26,489,237	₩ 134,175,409	100.00
Credit enhancement:					
Deposits and savings	91,007	31,091	670	122,768	0.09
Export guarantee insurance	324,241	1,680,783	-	2,005,024	1.49
Guarantee	575,420	634,791	37,389	1,247,600	0.93
Securities	127,885	20,105	4,432	152,422	0.11
Real estate	1,293,127	152,358	48,114	1,493,599	1.11
Ships	3,900,958	-	-	3,900,958	2.91
Others	790,826	1,702,389	54,734	2,547,949	1.91
	7,103,464	4,221,517	145,339	11,470,320	8.55
Exposure to credit risk after deducting credit enhancement	₩ 46,518,703	₩ 49,842,488	₩ 26,343,898	₩ 122,705,089	91.45

(*1) Loans represent the amount after loan origination fees or costs.

(Dec 31, 2012)

	Loans (*1)	Acceptances and guarantees	Unused loan commitments	Total	Ratio (%)
Maximum exposure to credit risk	₩ 47,634,846	₩ 53,083,589	₩ 28,342,520	₩ 129,060,955	100.00
Credit enhancement:					
Deposits and savings	146,678	43,478	–	190,156	0.15
Export guarantee insurance	371,216	1,696,576	–	2,067,792	1.60
Guarantee	1,166,435	621,259	101,520	1,889,214	1.46
Securities	175,705	25,084	–	200,789	0.16
Real estate	1,262,239	153,448	91,067	1,506,754	1.17
Ships	3,767,141	–	–	3,767,141	2.92
Others	378,898	1,488,094	425,335	2,292,327	1.78
	7,268,312	4,027,939	617,922	11,914,173	9.24
Exposure to credit risk after deducting credit enhancement	₩ 40,366,534	₩ 49,055,650	₩ 27,724,598	₩ 117,146,782	90.76

(*1) Loans represent the amount after loan origination fees or costs.

(Jan 1, 2012)

	Loans (*1)	Acceptances and guarantees	Unused loan commitments	Total	Ratio (%)
Maximum exposure to credit risk	₩ 47,805,640	₩ 61,314,990	₩ 15,491,099	₩ 124,611,729	100.00
Credit enhancement:					
Deposits and savings	153,030	53,475	–	206,505	0.17
Export guarantee insurance	120,304	902,550	–	1,022,854	0.82
Guarantee	792,461	582,374	252,385	1,627,220	1.31
Securities	101,978	20,975	–	122,953	0.10
Real estate	975,561	35,156	46,398	1,057,115	0.85
Ships	3,700,295	–	–	3,700,295	2.97
Others	159,337	791,880	–	951,217	0.76
	6,002,966	2,386,410	298,783	8,688,159	6.98
Exposure to credit risk after deducting credit enhancement	₩ 41,802,674	₩ 58,928,580	₩ 15,192,316	₩ 115,923,570	93.02

(*1) Loans represent the amount after loan origination fees or costs.

4-3. Liquidity risk

(1) Overview of liquidity risk

Liquidity risk is the risk of insolvency or loss due to a disparity between the inflow and outflow of funds, and obtaining funds at a high price or disposing of securities at an unfavorable price due to lack of available funds. The Consolidated Entity manages its liquidity risk through analysis of the contractual maturity of all financial assets, liabilities and off-balance sheet items such as loan commitments and guarantees by maturity groups: on demand, up to one month, between over one month to three months, between over three months to 12 months, between over one year to five years and over five years. Disclosed cash flows are undiscounted contractual amounts consisting of principal and interest. Therefore, disclosed cash flows are not same as the amounts in the consolidated statements of financial position. However, for derivatives, each discounted cash flow consisting of current fair value is presented.

(2) Principles of the liquidity risk management

① Liquidity risk is managed with integration. The Consolidated Entity measures, reports and controls liquidity risk by quantification with reasonable method.

② Liquidity risk reflects financing plans and fund using plans and the Consolidated Entity reports the liquidity risk with preciseness, timeliness and consistency.

③ The Consolidated Entity establishes liquidity risk managing strategy by analyzing liquidity maturity, liquidity gap structure and market environment.

(3) Liquidity risk management

Risk management department monitors changes by liquidity risk sources and compliance of risk limits. It notifies related departments to prepare countermeasures in case the measured liquidity risk is close to risk limits. Also, it analyzes crisis situations and effects of the crisis situations and reports to the Risk Management Committee on a regular basis. Each related department monitors changes of liquidity risk sources and compliance of risk limits by itself and if exposure to new risk is expected, it discusses the matter with the head of risk management department.

(4) Measurement of liquidity risk

The Consolidated Entity measures liquidity ratio, liquidity gap ratio and others for local currency and foreign currency and simulates analysis reflecting market environment, product features and the Consolidated Entity's strategies.

(5) Analysis on remaining contractual maturity of financial assets and liabilities

Remaining contractual maturity and amount of financial assets and liabilities as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS) are as follows (Korean won in millions):

(Dec 31, 2013)

	On demand	Within 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 year to 5 years	Over 5 years	Total
Financial assets:								
Cash and due from financial institutions	₩ 1,723,908	₩ 223,118	₩ 285,045	₩ –	₩ 51,099	₩ –	₩ –	₩ 2,283,170
Financial assets at FVTPL	854,769	–	–	–	–	–	–	854,769
Hedging derivative assets	–	5,151	2,246	9,634	7,089	310,529	43,675	378,324
Loans	–	6,626,162	5,270,314	9,319,970	7,275,328	17,571,152	12,276,155	58,339,081
AFS financial assets	4,112,296	678	1,163	42,357	63,787	62,000	20,385	4,302,666
Held-to-maturity financial assets	–	5,488	9,262	30,010	45,557	164,708	4,210	259,235
Other financial assets	–	809,931	–	–	–	44,213	199	854,343
	₩ 6,690,973	₩ 7,670,528	₩ 5,568,030	₩ 9,401,971	₩ 7,442,860	₩ 18,152,602	₩ 12,344,624	₩ 67,271,588
Financial liabilities:								
Financial liabilities at FVTPL	₩ 218,901	₩ –	₩ –	₩ –	₩ –	₩ –	₩ –	₩ 218,901
Hedging derivative liabilities	–	–	62,406	253,527	70,106	1,084,141	329,533	1,799,713
Borrowings	–	1,493,889	325,584	1,394,091	1,048,257	1,751,467	–	6,013,288
Debentures	–	2,983,389	4,114,891	2,782,075	3,715,001	23,653,549	10,491,755	47,740,660
Other financial liabilities	–	943,561	–	–	–	–	108	943,669
	₩ 218,901	₩ 5,420,839	₩ 4,502,881	₩ 4,429,693	₩ 4,833,364	₩ 26,489,157	₩ 10,821,396	₩ 56,716,231
Off-balance sheet items:								
Commitments	₩ 26,683,972	₩ –	₩ –	₩ –	₩ –	₩ –	₩ –	₩ 26,683,972
Financial guarantee contracts	–	6,210	21,106	94,884	92,001	273,513	5,411,049	5,898,763
	₩ 26,683,972	₩ 6,210	₩ 21,106	₩ 94,884	₩ 92,001	₩ 273,513	₩ 5,411,049	₩ 32,582,735

(Dec 31, 2012)

	On demand	Within 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 year to 5 years	Over 5 years	Total
Financial assets:								
Cash and due from financial institutions	₩ 885,938	₩ 516,056	₩ 253,144	₩ 188,990	₩ 127,690	₩ –	₩ –	₩ 1,971,818
Financial assets at FVTPL	259,408	–	–	–	–	–	–	259,408
Hedging derivative assets	–	3,641	8,276	8,499	23,849	507,912	321,096	873,273
Loans	4,858	4,943,001	4,583,764	6,908,999	7,395,131	18,500,949	8,219,773	50,556,475
AFS financial assets	3,835,940	398	798	1,196	35,400	89,127	–	3,962,859
Held-to-maturity financial assets	–	5,353	13,934	26,767	14,463	147,046	58	207,621
Other financial assets	–	646,408	–	–	–	40,838	1,169	688,415
	₩ 4,986,144	₩ 6,114,857	₩ 4,859,916	₩ 7,134,451	₩ 7,596,533	₩ 19,285,872	₩ 8,542,096	₩ 58,519,869
Financial liabilities:								
Financial liabilities at FVTPL	₩ 267,920	₩ –	₩ –	₩ –	₩ –	₩ –	₩ –	₩ 267,920
Hedging derivative liabilities	–	179	60	181,083	109,317	395,028	232,810	918,477
Borrowings	–	464,983	76,285	576,062	758,497	1,426,900	16,059	3,318,786
Debentures	–	1,022,528	3,260,873	2,997,834	5,219,714	24,636,735	7,489,707	44,627,391
Other financial liabilities	–	901,560	120	–	–	–	108	901,788
	₩ 267,920	₩ 2,389,250	₩ 3,337,338	₩ 3,754,979	₩ 6,087,528	₩ 26,458,663	₩ 7,738,684	₩ 50,034,362
Off-balance sheet items:								
Commitments	₩ 28,342,520	₩ –	₩ –	₩ –	₩ –	₩ –	₩ –	₩ 28,342,520
Financial guarantee contracts	–	803	7	35,996	66,056	355,889	4,041,704	4,500,455
	₩ 28,342,520	₩ 803	₩ 7	₩ 35,996	₩ 66,056	₩ 355,889	₩ 4,041,704	₩ 32,842,975

(Jan 1, 2012)

	On demand	Within 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 year to 5 years	Over 5 years	Total
Financial assets:								
Cash and due from financial institutions	₩ 725,942	₩ 776,529	₩ 566,936	₩ 210,793	₩ 129,722	₩ –	₩ –	₩ 2,409,922
Financial assets at FVTPL	576,591	–	–	–	–	–	–	576,591
Hedging derivative assets	–	135,274	4,041	10,197	115,226	337,910	391,585	994,233
Loans	3,705	3,940,437	5,277,040	8,054,615	6,727,195	18,490,141	8,927,761	51,420,894
AFS financial assets	3,765,018	–	–	–	–	–	58	3,765,076
Held-to-maturity financial assets	144,149	4,611	4,599	23,515	14,408	62,171	10,097	263,550
Other financial assets	–	621,537	–	–	–	33,727	1,457	656,721
	₩ 5,215,405	₩ 5,478,388	₩ 5,852,616	₩ 8,299,120	₩ 6,986,551	₩ 18,923,949	₩ 9,330,958	₩ 60,086,987
Financial liabilities:								
Financial liabilities at FVTPL	₩ 200,800	₩ –	₩ –	₩ –	₩ –	₩ –	₩ –	₩ 200,800
Hedging derivative liabilities	–	473	4,115	14,189	55,008	294,511	437,845	806,141
Borrowings	–	1,085,644	1,044,250	1,156,900	985,289	1,711,269	17,287	6,000,639
Debentures	–	1,045,759	1,754,675	3,596,482	7,398,245	22,387,353	7,735,177	43,917,691
Other financial liabilities	236	841,363	–	–	–	–	1,113	842,712
	₩ 201,036	₩ 2,973,239	₩ 2,803,040	₩ 4,767,571	₩ 8,438,542	₩ 24,393,133	₩ 8,191,422	₩ 51,767,983
Off-balance sheet items:								
Commitments	₩ 15,005,211	₩ –	₩ –	₩ –	₩ –	₩ –	₩ –	₩ 15,005,211
Financial guarantee contracts	–	27,836	16	95	30,156	547,385	2,796,020	3,401,508
	₩ 15,005,211	₩ 27,836	₩ 16	₩ 95	₩ 30,156	₩ 547,385	₩ 2,796,020	₩ 18,406,719

4-4. Market risk

(1) Overview of market risk

1) Definition of market risk
Market risk is the risk of possible losses that arise from the changes of market factors, such as interest rate, stock price, foreign exchange rate, commodity value and other market factors related to the fair value or future cash flows of the financial instruments. The Consolidated Entity classifies exposures to market risk into either foreign exchange rate risk or interest rate risk. Foreign exchange risk means that possible losses on assets and liabilities denominated in foreign currency due to changes of foreign exchange rate. Interest rate risk means that possible losses on assets and liabilities due to changes of interest rate.

2) Market risk management group
The Consolidated Entity operates the Risk Management Committee and the Risk Management Council for managing risks and risk limits. The Risk Management Practices Committee assists the Risk Management Committee and the Risk Management Council for practical matters such as managing adequate assets and liabilities by analyzing foreign exchange risk, interest rate risk, liquidity risk, money balance plan and effects by initiating new product. Market risk is managed by product and currency for minimizing segments exposed to changes of foreign exchange, interest rate and securities' price. Foreign exchange risk is measured by definite method and probabilistic method and definite method is used for limits management. Interest rate value at risk (VaR) and interest rate earning at risk ("EaR") are measured by BIS standards, definite method and probabilistic method and definite method is used for limits management. Meanwhile, the Consolidated Entity performs financial crisis analysis supposing exceptional but possible events for evaluating latent weakness. The analysis is used for important decision making such as risk mitigation, emergency plan development and limit setup. The results of the analysis are reported to the Board of Directors and management on a quarterly basis.

(2) Foreign exchange risk

1) Management of foreign exchange risk
Foreign exchange risk management limit is set up and included in internal capital management limit. A risk management division head monitors changes of foreign exchange risk by source and compliance of risk limits regularly. A finance division head also monitors changes of foreign exchange risk by source and compliance of risk limits. The finance division head needs to cooperate with the risk management division head in case it is expected that the Consolidated Entity will be exposed to a new risk. The risk management division head orders related divisions to prepare countermeasures in case it is apprehended that foreign exchange risk exceeds risk limit. If foreign exchange risk exceeds the risk limit, the risk management division head orders related divisions to prepare countermeasures and reports to Risk Management Committee after resolving the exceeded limit problem.

2) Measurement of foreign exchange risk
Foreign exchange risk is managed by foreign exchange VaR and foreign exchange position. Foreign exchange VaR is measured on a monthly basis and foreign exchange position is measured on a daily basis. It is measured separately by currency for assets and liabilities denominated in foreign currency exceeding 5% of total assets and liabilities denominated in foreign currency.

3) Measurement method

① VaR

The Consolidated Entity measures a yearly VaR. The yearly VaR is a statistically estimated maximum amount of loss that could occur in one year under normal distribution of financial variables. The Consolidated Entity calculates VaR using equal-weighted average method based on historical changes in market rates, prices and volatilities over the previous five years data and measures VaR at a 99% single tail confidence level. This means the actual amount of loss may exceed the VaR, on average, once out of 100 business days. VaR is a commonly used market risk management technique. However, the method has some shortcomings.

VaR estimates possible losses over a certain period at a particular confidence level using past market movement data. Past market movement, however, is not necessarily a good indicator of future events, as there may be conditions and circumstances in the future that the model does not anticipate. As a result, the timing and magnitude of the actual losses can be different depending on the assumptions made at the time of calculation. In addition, the time periods used for the model, generally one day or ten days, are assumed to be a sufficient holding period before liquidating the relevant underlying positions. If these holding periods are not sufficient, or too long, the VaR results may understate or overstate the potential loss.

② Stress testing

The stress testing is carried out to analyze the abnormal market situation reflecting intrinsic volatility of interest rate that has significant influence on the value of portfolio. The Consolidated Entity mainly uses historical scenario tool and supplementally uses hypothetical scenario tool for the analysis of an abnormal market situation. Stress testing is performed at least once in every quarter.

③ Results of measurement

Results of foreign exchange VaR as of and for the years ended December 31, 2013, and December 31, 2012 are as follows (Korean won in millions):

	2013				2012			
	Average	Minimum	Maximum	Ending	Average	Minimum	Maximum	Ending
Foreign exchange risk	₩ 226,924	₩ 15,832	₩ 548,360	₩ 186,107	₩ 36,449	₩ 12,606	₩ 75,681	₩ 75,681

Results of foreign exchange VaR as of January 1, 2012 (the date of transition to K-IFRS), of KEXIM Bank UK Limited, KEXIM Asia Limited, KEXIM Vietnam Leasing Co., and KOEXIM Mandiri Finance are ₩243 million, ₩359 million, ₩299 million and ₩2,037 million, respectively.

Meanwhile, foreign exchange VaR as of January 1, 2012 (the date of transition to K-IFRS) amounts to ₩75,681 million.

(3) Interest rate risk

1) Management of interest rate risk

Interest rate risk management limit is set up and included in internal capital management limit. A risk management division head monitors changes of interest rate risk by source and compliance of risk limits regularly. A finance division head also monitors changes of interest rate risk by source and compliance of risk limits. The finance division head needs to cooperate with the risk management division head in case it is expected that the Consolidated Entity to will be exposed to a new risk. The risk management division head orders related divisions to prepare countermeasures in case it is apprehended that interest rate risk exceeds risk limit. If interest rate risk exceeds the risk limit, the risk management division head orders related divisions to prepare countermeasures and reports to Risk Management Committee after resolving the exceeded limit problem.

2) Measurement of interest rate risk

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

3) Measurement method

① VaR

The Consolidated Entity measures a yearly VaR. The yearly VaR is a statistically estimated maximum amount of loss that could occur in one year under normal distribution of financial variables. The Consolidated Entity calculates VaR using equal-weighted average method based on historical changes in market rates, prices and volatilities over the previous five years data and measures VaR at a 99% single tail confidence level. This means the actual amount of loss may exceed the VaR, on average, once out of 100 business days. VaR is a commonly used market risk management technique. However, the method has some shortcomings.

VaR estimates possible losses over a certain period at a particular confidence level using past market movement data. Past market movement, however, is not necessarily a good indicator of future events, as there may be conditions and circumstances in the future that the model does not anticipate. As a result, the timing and magnitude of the actual losses can be different depending on the assumptions made at the time of calculation. In addition, the time periods used for the model, generally one day or ten days, are assumed to be a sufficient holding period before liquidating the relevant underlying positions. If these holding periods are not sufficient, or too long, the VaR results may understate or overstate the potential loss.

② Stress testing

The stress testing is carried out to analyze the abnormal market situation reflecting intrinsic volatility of interest rate that has significant influence on the value of portfolio. The Consolidated Entity mainly uses historical scenario tool and supplementally uses hypothetical scenario tool for the analysis of an abnormal market situation. Stress testing is performed at least once in every quarter.

③ Results of measurement

Results of interest rate VaR as of and for the years ended December 31, 2013, and December 31, 2012 are as follows (Korean won in millions):

	2013				2012			
	Average	Minimum	Maximum	Ending	Average	Minimum	Maximum	Ending
Interest rate risk	₩ 67,174	₩ 3,551	₩ 117,626	₩ 117,626	₩ 38,037	₩ 8,116	₩ 67,945	₩ 46,101

Interest rate VaR as of January 1, 2012 (the date of transition to K-IFRS) amounts to ₩46,123 million.

Results of Interest rate VaR as of January 1, 2012 (the date of transition to K-IFRS), of KEXIM Bank UK Limited, KEXIM Asia Limited, KEXIM Vietnam Leasing Co., and KOEXIM Mandiri Finance are ₩475 million, ₩2,839 million, ₩(-)11 million and ₩190 million, respectively.

4-5. Capital risk

The Consolidated Entity abides by adequate capital requirements of the Financial Supervisory Service. Beginning on January 1, 2008, the Financial Supervisory Service implemented the new Basel Capital Accord, referred to as Basel II, in Korea, which has substantially affected the way risk is measured among Korean financial institutions. All the local banks are required to maintain a minimum capital adequacy ratio ("BIS ratio") of 8.0%.

A bank's capital according to Detailed Regulation on Supervision of Banking Business is classified into two categories as follows:

1) Tier 1 capital (Core capital): Core capital includes paid–in capital, capital reserves, retained earnings, non–controlling interests in consolidated subsidiaries, unissued stock dividends and hybrid debt.

2) Tier 2 capital (Supplementary capital): Supplementary capital includes revaluation reserves, valuation gain on 45% of accumulated other comprehensive income related to AFS securities and share of other comprehensive income on associates, allowance for credit losses in respect of credits classified as normal or precautionary, redeemable preferred stock that is not included in hybrid debt, and subordinated debt with maturity of over five years.

Risk–weighted assets are defined as the sum of credit risk–weighted assets and market risk–weighted assets. The Consolidated Entity calculates risk–weighted assets by risk (credit risk, market risk, operating risk) for BIS ratio calculation.

The Consolidated Entity's BIS capital ratio on consolidated basis as of December 31, 2013 is as follows (Korean won in millions):

	Dec 31, 2013	
Core capital	₩	8,723,869
Supplementary capital		1,031,297
Total		**9,755,166**
Risk–weighted assets	₩	84,116,848
Capital ratio		11.60%

The Consolidated Entity's BIS capital ratio on consolidated basis under previous GAAP as of December 31, 2012, and January 1, 2012 (the date of transition to K-IFRS) are as follows (Korean won in millions):

	Dec 31, 2012		Jan 1, 2012	
Core capital	₩	7,866,759	₩	6,818,511
Supplementary capital		1,019,894		986,725
Total		**8,886,653**		**7,805,236**
Risk–weighted assets	₩	76,522,384	₩	73,398,056
Capital ratio		11.61%		10.63%

5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

5-1. Classification and fair value

(1) Carrying amounts and fair values of financial instruments as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS) are as follows (Korean won in millions):

		Dec 31, 2013		Dec 31, 2012		Jan 1, 2012	
	Classification	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:							
Cash and due from financial institutions	Non-recurring	₩ 2,281,520	₩ 2,281,511	₩ 1,968,966	₩ 1,946,385	₩ 2,399,878	₩ 2,399,898
Financial assets at FVTPL	Recurring	854,769	854,769	259,408	259,408	576,591	576,591
Hedging derivative assets	Recurring	378,324	378,324	873,273	873,273	994,233	994,233
Loans	Non-recurring	51,375,674	52,165,735	45,867,144	46,017,214	46,532,367	46,583,803
AFS financial assets	Recurring	4,128,363	4,128,363	3,944,520	3,944,520	3,765,018	3,765,018
Held-to-maturity financial assets	Non-recurring	257,393	258,687	207,563	222,619	263,550	263,550
Other financial assets	Non-recurring	840,039	840,039	687,080	687,080	655,314	655,314
		₩ 60,116,082	₩ 60,907,428	₩ 53,807,954	₩ 53,950,499	₩ 55,186,951	₩ 55,238,407
Financial liabilities:							
Financial liabilities at FVTPL	Recurring	₩ 218,699	₩ 218,699	₩ 267,920	₩ 267,920	₩ 200,800	₩ 200,800
Hedging derivative liabilities	Recurring	1,799,713	1,799,713	918,477	918,477	806,141	806,141
Borrowings	Non-recurring	5,944,643	5,948,536	3,151,898	3,269,601	5,798,794	5,741,031
Debentures	Non-recurring	42,709,823	42,573,323	40,167,175	40,686,290	39,368,411	38,887,141
Other financial liabilities	Non-recurring	943,669	943,669	901,788	901,788	842,712	842,712
		₩ 51,616,547	₩ 51,483,940	₩ 45,407,258	₩ 47,016,858	₩ 47,016,858	₩ 46,477,825

Fair value is the amount for which an asset could be exchanged, or a liability could be settled, between knowledgeable, willing parties in an arm's length transaction. For each class of financial assets and financial liabilities, the Consolidated Entity discloses the fair value of that class of assets and liabilities in a way that permits it to be compared with their carrying amount at the end of each reporting period. The best evidence of fair value of financial instruments is quoted price in an active market.

Methods for measuring fair value of financial instruments are as follows:

Financial instruments	Method of measuring fair value
Loans and receivables	Carrying amount of cash is fair value. As demand deposits and transferable deposits do not have maturity and are readily convertible to cash. Carrying amounts of these deposits are regarded as the nearest amounts of fair values. Fair values of other deposits are determined by discounted cash flow model ("DCF model"). DCF model is used to determine the fair value of loans. Fair value is determined by discounting the expected cash flows by contractual cash flows with prepayment rate taken into account by appropriate discount rate.
Investment securities	Trading financial assets and liabilities and AFS financial assets are measured at fair value using a quoted market price in an active market. If a quoted market price is not available, they are measured by using a price quoted by a third party, such as a pricing service or broker or using valuation techniques.
Derivatives	For exchange traded derivative, quoted price in active market is used to determine fair value and for OTC derivative, fair value is determined using valuation techniques. The Consolidated Entity uses internally developed valuation models that are widely used by market participants to determine fair value of plain OTC derivatives including option, interest rate swap, and currency swap based on observable market parameters. However, some complex financial instruments are valued using the results of independent pricing services, where part or all of the inputs are not observable in the market.
Borrowings	Fair value is determined using DCF model discounting contractual future cash flows by appropriate discount rate.
Debentures	Fair value of debentures denominated in local currency is determined by using the valuation of independent third–party pricing services in accordance with the market prices that are quoted in active markets. Fair value of debentures denominated in foreign currency is determined by DCF model.

Fair values of financial assets and financial liabilities classified as fair value Level 3 of the fair value hierarchy are determined by using the valuation of independent third-party pricing services. Meanwhile, carrying amounts of other financial assets and financial liabilities are regarded as the nearest amounts of fair values.

(2) Fair value hierarchy

Fair values and fair value hierarchy of financial assets and financial liabilities which are not measured at fair value as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS) are as follows (Korean won in millions):

(Dec 31, 2013)

	Level 1	Level 2	Level 3	Total
Financial assets:				
Loans	₩ –	₩ –	₩ 52,165,735	₩ 52,165,735
Held–to–maturity financial assets	–	258,687	–	258,687
	₩ –	₩ 258,687	₩ 52,165,735	₩ 52,424,422
Financial liabilities:				
Borrowings	₩ –	₩ 5,948,536	₩ –	₩ 5,948,536
Debentures	–	42,573,323	–	42,573,323
	₩ –	₩ 48,521,859	₩ –	₩ 48,521,859

(Dec 31, 2012)

	Level 1	Level 2	Level 3	Total
Financial assets:				
Loans	₩ –	₩ –	₩ 46,017,214	₩ 46,017,214
Held–to–maturity financial assets	–	222,619	–	222,619
	₩ –	₩ 222,619	₩ 46,017,214	₩ 46,239,833
Financial liabilities:				
Borrowings	₩ –	₩ 3,269,601	₩ –	₩ 3,269,601
Debentures	–	40,686,290	–	40,686,290
	₩ –	₩ 43,955,891	₩ –	₩ 43,955,891

(Jan 1, 2012)

	Level 1	Level 2	Level 3	Total
Financial assets:				
Loans	₩ –	₩ –	₩ 46,583,803	₩ 46,583,803
Held–to–maturity financial assets	–	263,550	–	263,550
	₩ –	₩ 263,550	₩ 46,583,803	₩ 46,847,353
Financial liabilities:				
Borrowings	₩ –	₩ 5,741,031	₩ –	₩ 5,741,031
Debentures	–	38,887,141	–	38,887,141
	₩ –	₩ 44,628,172	₩ –	₩ 44,628,172

Fair value hierarchy of financial assets and liabilities measured at fair value as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS) are as follows (Korean won in millions):

(Dec 31, 2013)

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL	₩ 700,401	₩ 154,368	₩ –	₩ 854,769
Hedging derivative assets	–	378,324	–	378,324
AFS financial assets	342,094	160,655	3,596,430	4,099,179
	₩ 1,042,495	₩ 693,347	₩ 3,596,430	₩ 5,332,272
Financial liabilities:				
Financial liabilities at FVTPL	₩ –	₩ 218,699	₩ –	₩ 218,699
Hedging derivative liabilities	–	1,799,713	–	1,799,713
	₩ –	₩ 2,018,412	₩ –	₩ 2,018,412

(Dec 31, 2012)

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL	₩ –	₩ 259,408	₩ –	₩ 259,408
Hedging derivative assets	–	873,273	–	873,273
AFS financial assets	263,864	31,103	3,626,441	3,921,408
	₩ 263,864	₩ 1,163,784	₩ 3,626,441	₩ 5,054,089
Financial liabilities:				
Financial liabilities at FVTPL	₩ –	₩ 267,920	₩ –	₩ 267,920
Hedging derivative liabilities	–	918,477	–	918,477
	₩ –	₩ 1,186,397	₩ –	₩ 1,186,397

(Jan 1, 2012)

	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL	₩ –	₩ 576,591	₩ –	₩ 576,591
Hedging derivative assets	–	994,233	–	994,233
AFS financial assets	568,384	8,010	3,164,631	3,741,025
	₩ 568,384	₩ 1,578,834	₩ 3,164,631	₩ 5,311,849
Financial liabilities:				
Financial liabilities at FVTPL	₩ –	₩ 200,800	₩ –	₩ 200,800
Hedging derivative liabilities	–	806,141	–	806,141
	₩ –	₩ 1,006,941	₩ –	₩ 1,006,941

Level 1: Financial instruments measured at quoted prices from active markets are classified as fair value Level 1. This level includes listed equity securities, derivatives, and government bonds traded in an active exchange market.

Level 2: Financial instruments measured using valuation techniques where all significant inputs are observable market data are classified as Level 2. This level includes the majority of debt and general over-the-counter derivatives such as swap, futures and options.

Level 3: Financial instruments measured using valuation techniques where one or more significant inputs are not based on observable market data are classified as Level 3. This level includes unlisted equity securities, complex structured bonds and complex OTC derivatives. The best estimate of fair value of financial instruments is a quoted price from active markets when the financial instruments are traded in an active exchange market (Level 1). If a quoted price of a financial instrument is available readily and regularly through exchange markets, sellers, brokers, industry groups, pricing services, supervisory services and the quoted price is arm's length transaction between knowledgeable, willing parties, the price of the financial instrument is regarded to be disclosed in an active market.

If there is not an active market, fair value of a financial instrument is determined by valuation techniques. The valuation techniques include using a recent transaction between knowledgeable, willing parties, fair value of the similar kind financial instrument, DCF, option-pricing model and others. If a valuation technique is used by general market participants and the valuation technique can provide reliable estimates of fair values, the valuation technique can be used. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. The valuation techniques include all the inputs considered by market participants for determining price. The Consolidated Entity adjusts valuation techniques regularly and reviews the validity of the techniques based on observable current price of the same kind financial instruments observable market data. The Consolidated Entity believes that used valuation techniques are appropriate and fair values in the statements of financial position are reasonable. However, the fair values in the statements of financial position can be changed when different valuation techniques or different assumptions are used. Also, it can be difficult to compare fair values of the Consolidated Entity to those of other financial institution because various valuation techniques and several assumptions are used.

1) Changes in Level 3 financial assets measured at fair value for the years ended December 31, 2013 and December 31, 2012 are as follows (Korean won in millions):

(2013)

	Beginning balance	Profit or loss	Other comprehen-sive income	Purchases/ issues	Sales/ settlements	Transfers into Level 3 / Transfers out of Level 3	Ending balance
Financial assets:							
AFS financial assets	₩ 3,626,441	₩ (14,586)	₩ 78,297	₩ 21,722	₩ (22,695)	₩ (92,749)	₩ 3,596,430

(2012)

	Beginning balance	Profit or loss	Other comprehen-sive income	Purchases/ issues	Sales/ settlements	Transfers into Level 3 / Transfers out of Level 3	Ending balance
Financial assets:							
AFS financial assets	₩ 3,164,631	₩ (1,069)	₩ (38,934)	₩ 501,990	₩ (177)	₩ -	₩ 3,626,441

2) In relation with changes in Level 3 of the fair value hierarchy, total gains or losses recognized in profit or loss for the period, and total gains or losses for financial instruments held at the end of the reporting period in the consolidated statements of comprehensive income for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

	2013		2012	
Total gains (losses) for financial instruments held at the end of the reporting period	₩	20,490	₩	(1,080)
Total gains (losses) included in profit or loss for the period	₩	(14,586)	₩	(1,069)

3) The sensitivity of fair value analysis for the level 3 financial instruments

The Consolidated Entity performed the sensitivity analysis for the level 3 financial instruments which fair value would be measured differently upon reasonably possible alternative assumptions. The Bank classified the effect from changes upon the alternative assumptions into favorable effect and unfavorable effect and presented the most favorable effect or the most unfavorable effect in the table hereunder. Stocks are the financial instruments subject to sensitivity analysis, which are classified as level 3 and of which changes in fair value are recognized as other comprehensive income. Meanwhile, equity instruments which are recognized as cost among the financial instruments which are classified as level 3 are excluded in the sensitivity analysis.

Sensitivity analysis details per market risk variable of each Level 3 financial instrument hold and measured at fair value as of December 31, 2013 are as follows (Korean won in millions):

(2013)

	Net income (loss)				Other comprehensive income (loss)			
	Favorable		Unfavorable		Favorable		Unfavorable	
Financial assets:								
AFS Financial assets (*)	₩	–	₩	–	₩	6,014,237	₩	(1,338,632)

(*) Changes in fair value of stocks are computed along with the increases or decreases in either growth rate from nil to 1 percent and discount rate or liquidation value from negative 1 percent to 1 percent and discount rate, which are unobservable inputs.

(3) The table below provides the Consolidated Entity's financial assets and financial liabilities that are carried at cost since the fair values of the financial instruments are not readily determinable in the consolidated statements of financial position as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS) (Korean won in millions):

	Dec 31, 2013		Dec 31, 2012		Jan 1, 2012	
AFS Financial assets						
Unlisted securities (*)	₩	537	₩	797	₩	1,486
Equity investments (*)		28,181		22,315		22,507
Others (*)		466		–		–
	₩	29,184	₩	23,112	₩	23,993

(*) AFS financial assets are unlisted equity securities and equity investments and recorded as at cost since they do not have quoted prices in an active market and the fair values are not measured with reliability.

5-2. Carrying amounts of financial instruments

Carrying amounts of financial instruments as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS) are as follows (Korean won in millions):

(Dec 31, 2013)

	Financial assets at FVTPL	Loans	AFS financial assets	Held–to–maturity financial assets	Hedging derivative assets	Total
Financial assets:						
Cash and due from financial institutions	₩ –	₩ 2,281,520	₩ –	₩ –	₩ –	₩ 2,281,520
Financial assets at FVTPL	854,769	–	–	–	–	854,769
Hedging derivative assets	–	–	–	–	378,324	378,324
Loans	–	51,375,674	–	–	–	51,375,674
Financial investments	–	–	4,128,363	257,393	–	4,385,756
Other financial assets	–	840,039	–	–	–	840,039
Total	**₩ 854,769**	**₩ 54,497,233**	**₩ 4,128,363**	**₩ 257,393**	**₩ 378,324**	**₩ 60,116,082**

	Financial liabilities at FVTPL	Financial liabilities at amortized cost	Hedging derivative liabilities	Total
Financial liabilities:				
Financial liabilities at FVTPL	₩ 218,699	₩ –	₩ –	₩ 218,699
Hedging derivative liabilities	–	–	1,799,713	1,799,713
Borrowings	–	5,944,643	–	5,944,643
Debentures	–	42,709,823	–	42,709,823
Other financial liabilities	–	943,669	–	943,669
Total	**₩ 218,699**	**₩ 49,598,135**	**₩ 1,799,713**	**₩ 51,616,547**

(Dec 31, 2012)

	Financial assets at FVTPL	Loans	AFS financial assets	Held–to–maturity financial assets	Hedging derivative assets	Total
Financial assets:						
Cash and due from financial institutions	₩ –	₩ 1,968,966	₩ –	₩ –	₩ –	₩ 1,968,966
Financial assets at FVTPL	259,408	–	–	–	–	259,408
Hedging derivative assets	–	–	–	–	873,273	873,273
Loans	–	45,867,144	–	–	–	45,867,144
Financial investments	–	–	3,944,520	207,563	–	4,152,083
Other financial assets	–	687,080	–	–	–	687,080
Total	**₩ 259,408**	**₩ 48,523,190**	**₩ 3,944,520**	**₩ 207,563**	**₩ 873,273**	**₩ 53,807,954**

	Financial liabilities at FVTPL	Financial liabilities at amortized cost	Hedging derivative liabilities	Total
Financial liabilities:				
Financial liabilities at FVTPL	₩ 267,920	₩ –	₩ –	₩ 267,920
Hedging derivative liabilities	–	–	918,477	918,477
Borrowings	–	3,151,898	–	3,151,898
Debentures	–	40,167,175	–	40,167,175
Other financial liabilities	–	901,788	–	901,788
Total	₩ 267,920	₩ 44,220,861	₩ 918,477	₩ 45,407,258

(Jan 1, 2012)

	Financial assets at FVTPL	Loans	AFS financial assets	Held-to-maturity financial assets	Hedging derivative assets	Total
Financial assets:						
Cash and due from financial institutions	₩ –	₩ 2,399,878	₩ –	₩ –	₩ –	₩ 2,399,878
Financial assets at FVTPL	576,591	–	–	–	–	576,591
Hedging derivative assets	–	–	–	–	994,233	994,233
Loans	–	46,532,367	–	–	–	46,532,367
Financial investments	–	–	3,765,018	263,550	–	4,028,568
Other financial assets	–	655,314	–	–	–	655,314
Total	₩ 576,591	₩ 49,587,559	₩ 3,765,018	₩ 263,550	₩ 994,233	₩ 55,186,951

	Financial liabilities at FVTPL	Financial liabilities at amortized cost	Hedging derivative liabilities	Total
Financial liabilities:				
Financial liabilities at FVTPL	₩ 200,800	₩ –	₩ –	₩ 200,800
Hedging derivative liabilities	–	–	806,141	806,141
Borrowings	–	5,798,794	–	5,798,794
Debentures	–	39,368,411	–	39,368,411
Other financial liabilities	–	842,712	–	842,712
Total	₩ 200,800	₩ 46,009,917	₩ 806,141	₩ 47,016,858

5-3. Offset of financial assets and financial liabilities

The Consolidated Entity has conditional rights of setoff that are enforceable and exercisable only in the events mentioned in agreements regardless of meeting some or all of the offsetting criteria in K-IFRS 1032 for derivative assets, derivative liabilities, receivable spot exchanges and payable spot exchanges. Cash collaterals do not meet the offsetting criteria in K-IFRS 1032, but they can be set off with net amount of derivative assets and derivatives liabilities and net amount of receivable spot exchanges and payable spot exchanges.

The effects of netting agreements as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS) are as follow (Korean won in millions):

(Dec 31, 2013)

				Amount that is not offset in the financial statements		
	Recognized total amount	Total amount to be offset	Net basis measured in the financial statements	Financial instruments	Cash collateral	Net amount
Financial assets:						
Derivatives	₩ 532,691	₩ –	₩ 532,691	₩ (335,976)	₩ (16,522)	₩ 180,193
AFS financial assets with	16,173		16,173	(13,945)	–	2,228
Repurchase agreement (RP)		–				
Held–to–maturity (HTM) financial assets with	38,348		38,348	(33,543)	–	4,805
Repurchase agreement (RP)		–				
	₩ 587,212	₩ –	₩ 587,212	₩ (383,464)	₩ (16,522)	₩ 187,226
Financial liabilities:						
Derivatives	₩ 2,018,412	₩ –	₩ 2,018,412	₩ (335,976)	₩ –	₩ 1,682,436
RP	102,020	–	102,020	(47,489)	–	54,531
	₩ 2,120,432	₩ –	₩ 2,120,432	₩ (383,465)	₩ –	₩ 1,736,967

(Dec 31, 2012)

				Amount that is not offset in the financial statements		
	Recognized total amount	Total amount to be offset	Net basis measured in the financial statements	Financial instruments	Cash collateral	Net amount
Financial assets:						
Derivatives	₩ 916,181	₩ –	₩ 916,181	₩ (355,764)	₩ (177)	₩ 636,740
Financial liabilities:						
Derivatives	₩ 1,186,397	₩ –	₩ 1,186,397	₩ (355,764)	₩ (2)	₩ 906,956
RP	63,929	–	63,929	(63,929)	–	–
	₩ 1,250,326	₩ –	₩ 1,250,326	₩ (419,693)	₩ (2)	₩ 906,956

(Jan 1, 2012)

	Recognized total amount	Total amount to be offset	Net basis measured in the financial statements	Amount that is not offset in the financial statements: Financial instruments	Cash collateral	Net amount
Financial assets:						
Derivatives	₩ 1,197,280	₩ –	₩ 1,197,280	₩ (454,449)	₩ (109,298)	₩ 633,533
Financial liabilities:						
Derivatives	₩ 1,006,942	₩ –	₩ 1,006,942	₩ (454,449)	₩ –	₩ 552,493
RP	90,826	–	90,826	(90,826)	–	–
	₩ 1,097,768	₩ –	₩ 1,097,768	₩ (545,275)	₩ –	₩ 552,493

6. OPERATING SEGMENT

Though the Consolidated Entity conducts business activities related to financial services, in accordance with relevant laws such as The Export-Import Bank of Korea Act, it does not report separate segment information, as management considers the Consolidated Entity to be operating under one core business.

7. CASH AND DUE FROM FINANCIAL INSTITUTIONS

1) Due from financial institutions as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K–IFRS) is as follows (Korean won in millions):

	Dec 31, 2013	Dec 31, 2012	Jan 1, 2012
Due from financial institutions in local currency	₩ 357,188	₩ 567,243	₩ 607,541
Due from financial institutions in foreign currencies	1,924,332	1,401,723	1,792,337
	2,281,520	1,968,966	2,399,878
Restricted due from financial institutions	(407)	(4)	(18)
Due from financial institutions with original maturities of three months or less at acquisition date	(782,322)	(1,097,414)	(464,043)
	(782,729)	(1,097,418)	(464,061)
Total (*)	**₩ 1,498,791**	**₩ 871,548**	**₩ 1,935,817**

(*) It is equal to the due from financial institutions as presented on the consolidated statements of cash flows.

2) Details of cash and due from financial institutions as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K–IFRS) are as follows (Korean won in millions):

	Detail	Dec 31, 2013		Dec 31, 2012		Jan 1, 2012	
		Amount	Interest (%)	Amount	Interest (%)	Amount	Interest (%)
Due from financial institutions in local currency							
	Reserve deposits	₩ –	–	₩ 4	–	₩ 18	–
	Demand deposits	788	–	639	–	973	–
	Time deposits	310,000	2.53 ~ 3.12	555,000	3.00 - 4.00	592,000	3.80 ~ 4.14
	Others	46,400	2.70 ~ 2.70	11,600	2.70 - 2.70	14,550	2.70 ~ 2.70
		357,188		567,243		607,541	
Due from financial institutions in foreign currencies							
	Demand deposits	61,487	–	75,369	–	101,594	0.25~10.50
	Time deposits	247,612	0.25 ~ 10.50	542,414	0.67 - 1.28	1,086,544	0.25 ~ 10.50
	On demand	44,755	–	40,588	–	32,055	–
	Offshore demand deposits	808	–	2,552	–	482	–
	Others	1,569,263	0.00 ~ 0.45	740,800	0.00 - 0.45	571,662	0.00 ~ 0.60
	Margin for Derivatives in foreign currency	407	–	–	–	–	–
		1,924,332		1,401,723		1,792,337	
Total		₩ 2,281,520		₩ 1,968,966		₩ 2,399,878	

3) Restricted due from financial institutions as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K–IFRS) is as follows (Korean won in millions):

	Detail	Financial Institution	Dec 31, 2013	Dec 31, 2012	Jan 1, 2012	Reason for restriction
Due from financial institutions in local currency	Reserve deposits	BOK	₩ –	₩ 4	₩ 188	Bank of Korea Act
	Others	DEUTSCHE BANK AG, FRANKFURT AM MAIN	407	–	–	Credit support annex for derivative transactions
Total			₩ 407	₩ 4	₩ 188	

8. FINANCIAL ASSETS AT FVTPL

Details of financial assets at FVTPL as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS) are as follows (Korean won in millions):

	Dec 31, 2013		Dec 31, 2012		Jan 1, 2012	
Equity securities:						
Beneficiary certificates	₩	700,401	₩	216,500	₩	373,544
Derivative assets:						
Interest product		540		3,513		4,669
Currency product		153,828		39,395		198,378
		154,368		42,908		203,047
Total	₩	**854,769**	₩	**259,408**	₩	**576,591**

9. FINANCIAL INVESTMENTS

Details of financial investments as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS) are as follows (Korean won in millions):

	Dec 31, 2013		Dec 31, 2012		Jan 1, 2012	
AFS securities in local currency:						
Equity securities:						
Marketable securities	₩	244,063	₩	337,194	₩	592,792
Non–marketable securities		3,596,966		3,474,321		3,076,560
Equity investments		28,181		22,315		22,939
Others		2,386		2,013		3,003
		3,871,596		3,835,843		3,695,294
AFS securities in foreign currency:						
Debt securities:						
Debt securities		256,767		108,677		69,724
		256,767		108,677		69,724
Held–to–maturity securities in foreign currency:						
Debt securities:						
Debt securities		257,393		207,563		263,550
Total	₩	**4,385,756**	₩	**4,152,083**	₩	**4,028,568**

10. LOANS

Loans as presented below do not include loan valuation adjustment related to fair value hedging amounting to ₩151,421 million, ₩240,424 million and ₩303,576 million, respectively, as of December 31, 2013, December 31 2012 and January 1, 2012 (the date of transition to K-IFRS).

(1) Details of loans as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K–IFRS) are as follows (Korean won in millions):

	Detail	Dec 31, 2013	Dec 31, 2012	Jan 1, 2012
Loans in local currency	Loans for export	₩ 8,983,664	₩ 8,114,940	₩ 7,680,948
	Loans for overseas investments	884,197	1,474,651	1,278,107
	Loans for import	1,372,994	1,418,227	1,293,707
	Others	2,343,635	1,237,797	275,277
		13,584,490	12,245,615	10,528,039
Loans in foreign currency	Loans for export	16,505,290	13,706,867	15,374,528
	Loans for overseas investments	15,828,616	14,915,549	14,465,825
	Loans for rediscounted trading notes	643,733	776,548	1,990,901
	Loans for import	634,593	849,252	940,826
	Overseas funding loans	173,496	218,637	270,853
	Domestic usance bills	194,976	206,966	256,340
	Others	529,804	317,633	306,861
		34,510,508	30,991,452	33,606,134
Others	Bills bought	–	–	34,406
	Foreign–currency bills bought	1,241,818	1,645,305	2,100,201
	Advance for customers	37,549	84,987	70,381
	Call loans	4,421,135	1,895,884	1,539,861
	Interbank loans in foreign currency	47,489	953,279	92,264
	Finance lease	186,553	175,271	177,992
		5,934,544	4,754,726	4,015,105
Balance		54,029,542	47,991,793	48,149,278
Net deferred origination fees and costs		(407,375)	(356,947)	(343,638)
Allowance for loan losses		(2,397,914)	(2,008,126)	(1,576,849)
Total		**₩ 51,224,253**	**₩ 45,626,720**	**₩ 46,228,791**

(2) Loans classified by customer as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS) are as follows (Korean won in millions):

(Dec 31, 2013)

	Detail	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)
Customer	Large corporations	₩ 6,468,172	₩ 17,810,959	₩ 176,405	₩ 24,455,536	53.16
	Small and medium companies	6,941,278	5,829,660	486,471	13,257,409	28.82
	Public sector and others	10,040	8,251,800	30,948	8,292,788	18.03
	Balance	13,419,490	31,892,419	693,824	46,005,733	100.00
	Net deferred origination fees and costs	(2,217)	(399,900)	-	(402,117)	
	Allowance for loan losses	(2,098,562)	(237,725)	(33,867)	(2,370,154)	
		11,318,711	31,254,794	659,957	43,233,462	
Financial institution	Bank	165,000	1,916,492	4,547,448	6,628,940	82.62
	Others	-	701,597	693,272	1,394,869	17.38
	Balance	165,000	2,618,089	5,240,720	8,023,809	100.00
	Net deferred origination fees and costs	-	(4,606)	(652)	(5,258)	
	Allowance for loan losses	(150)	(24,758)	(2,852)	(27,760)	
		164,850	2,588,725	5,237,216	7,990,791	
Total		**₩ 11,483,561**	**₩ 33,843,519**	**₩ 5,897,173**	**₩ 51,224,253**	

(Dec 31, 2012)

	Detail	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)
Customer	Large corporations	₩ 5,945,320	₩ 9,551,835	₩ 82,838	₩ 15,579,993	37.38
	Small and medium companies	1,239,109	1,683,279	9,176	2,931,564	7.03
	Public sector and others	4,911,186	17,602,657	654,808	23,168,651	55.59
	Balance	12,095,615	28,837,771	746,822	41,680,208	100.00
	Net deferred origination fees and costs	(3,103)	(346,392)	6	(349,489)	
	Allowance for loan losses	(1,638,627)	(283,535)	(53,767)	(1,975,929)	
		10,453,885	28,207,844	693,061	39,354,790	
Financial institution	Bank	150,000	2,040,531	4,007,904	6,198,435	98.21
	Others	-	113,150	-	113,150	1.79
	Balance	150,000	2,153,681	4,007,904	6,311,585	100.00
	Net deferred origination fees and costs	-	(5,517)	(1,941)	(7,458)	
	Allowance for loan losses	(134)	(11,755)	(20,308)	(32,197)	
		149,866	2,136,409	3,985,655	6,271,930	
Total		**₩ 10,603,751**	**₩ 30,344,253**	**₩ 4,678,716**	**₩ 45,626,720**	

(Jan 1, 2012)

	Detail	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)
Customer	Large corporations	₩ 8,197,556	₩ 12,748,478	₩ 290,108	₩ 21,236,142	50.71
	Small and medium companies	1,983,583	2,797,277	83,179	4,864,039	11.61
	Public sector and others	16,900	14,807,721	956,448	15,781,069	37.68
	Balance	10,198,039	30,353,476	1,329,735	41,881,250	100.00
	Net deferred origination fees and costs	(2,571)	(334,501)	–	(337,072)	
	Allowance for loan losses	(1,097,878)	(377,783)	(76,716)	(1,552,377)	
		9,097,590	29,641,192	1,253,019	39,991,801	
Financial institution	Bank	330,000	3,110,226	2,685,370	6,125,596	97.73
	Others	–	142,432	–	142,432	2.27
	Balance	330,000	3,252,658	2,685,370	6,268,028	100.00
	Net deferred origination fees and costs	–	(6,502)	(64)	(6,566)	
	Allowance for loan losses	(291)	(13,353)	(10,828)	(24,472)	
		329,709	3,232,803	2,674,478	6,236,990	
Total		₩ 9,427,299	₩ 32,873,995	₩ 3,927,497	₩ 46,228,791	

(3) Changes in net deferred origination fees and costs for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

(2013)

	Beginning balance	Increase	Decrease	Ending balance
Deferred origination fees	₩ (357,323)	₩ (143,228)	₩ (92,934)	₩ (407,617)
Deferred origination costs	376	–	134	242
Total	₩ (356,947)	₩ (143,228)	₩ (92,800)	₩ (407,375)

(2012)

	Beginning balance	Increase	Decrease	Ending balance
Deferred origination fees	₩ (344,069)	₩ (77,516)	₩ (64,262)	₩ (357,323)
Deferred origination costs	431	174	229	376
Total	₩ (343,638)	₩ (77,342)	₩ (64,033)	₩ (356,947)

(4) Changes in allowance for loan losses for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

(2013)

	Individual assessment	Collective assessment	Total
Beginning balance	₩ 1,699,721	₩ 308,405	₩ 2,008,126
Written-off	(48,995)	(45,674)	(94,669)
Collection of written-off loans	-	2,406	2,406
Debt-for-equity swap	(100,767)	(20,944)	(121,711)
Others	-	24,978	24,978
Elimination of discounts effect	(16,284)	(1,791)	(18,075)
Foreign exchange translation	(2,784)	(4,385)	(7,169)
Transfer in	547,852	56,176	604,028
Transfer out	20,541	(20,541)	-
Ending balance	**₩ 2,099,283**	**₩ 298,630**	**₩ 2,397,914**

(2012)

	Individual assessment	Collective assessment	Total
Beginning balance	₩ 1,291,680	₩ 285,169	₩ 1,576,849
Written-off	(155,700)	(19,629)	(175,329)
Collection of written-off loans	41	812	853
Debt-for-equity swap	(3,522)	(816)	(4,338)
Others	(5,486)	28	(5,458)
Elimination of discounts effect	(14,889)	(1,181)	(16,070)
Foreign exchange translation	(7,131)	(8,639)	(15,770)
Transfer in	537,717	109,672	647,389
Transfer out	57,011	(57,011)	-
Ending balance	**₩ 1,699,721**	**₩ 308,405**	**₩ 2,008,126**

11. INVESTMENTS IN ASSOCIATES

(1) Details of investments in associates as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K–IFRS) are as follows (Korean won in millions):

Subsidiaries	Location	Main business	Capital stock	Percentage of owner ship (%)	Net assets	Book value	Financial statements as of
Korea Asset Management Corporation	Korea	Financial service	KRW 860,000 mil.	25.86	388,681	397,989	2013.12.31
Credit Guarantee and Investment Fund (*1)	Philippines	Financial service	USD 700 mil.	14.28	107,731	107,731	2013.09.30 (*2)
SUNGDONG Shipbuilding & Marine Engineering Co., Ltd.	Korea	Financial service	KRW 256,542 mil	33.99	(628,827)	(132,415)	2013.09.30 (*2)
						505,720	

Subsidiaries	Location	Main business	Capital stock	Percentage of owner ship (%)	Net assets	Book value	Financial statements as of
Korea Asset Management Corporation	Korea	Financial service	KRW 860,000 mil.	25.86	379,708	389,888	2012.12.31
Credit Guarantee and Investment Fund (*1)	Philippines	Financial service	USD 700 mil.	14.28	109,137	109,137	2012.09.30 (*3)
						499,025	

Subsidiaries	Location	Main business	Capital stock	Percentage of owner ship (%)	Net assets	Book value	Financial statements as of
Credit Guarantee and Investment Fund (*1)	Philippines	Financial service	USD 700 mil.	14.28	104,120	115,486	2011.09.30 (*4)

(*1) As of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS) CGIF is classified into an associate because the Consolidated Entity has significant influence on the representation of the board of directors or equivalent governing body of the investee.

(*2) Equity method was applied by using the financial statements of associates as of September 30, 2013 (due to the unavailability of the ones as of December 31, 2013) in which had been reflected the significant transactions and events occurred between the end of the reporting period of the associates and the one of the Bank.

(*3) Equity method was applied by using the financial statements of associates as of September 30, 2012 (due to the unavailability of the ones as of December 31, 2012) in which had been reflected the significant transactions and events occurred between the end of the reporting period of the associates and the one of the Bank.

(*4) Equity method was applied by using the financial statements of associates as of September 30, 2011 (due to the unavailability of the ones as of December 31, 2011) in which had been reflected the significant transactions and events occurred between the end of the reporting period of the associates and the one of the Bank.

(2) Changes in investments in associates for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

(2013)

Company	Beginning balance	Acquisition	Disposal	Valuation gain (loss) on investments in associates	Dividend	Gain (loss) on valuation of investments in associates by equity method	Others	Ending balance
Korea Asset Management Corporation	₩ 389,888	₩ –	₩ –	₩ 14,225	₩ (6,652)	₩ 528	₩ –	₩ 397,989
CGIF	109,137	–	–	467	–	(1,873)	–	107,731
SUNGDONG Shipbuilding & Marine Engineering Co., Ltd.	–	10	–	(10)	–	–	–	–
Total	₩ 499,025	₩ 10	₩ –	₩ 14,682	₩ (6,652)	₩ (1,345)	₩ –	₩ 505,720

(2012)

Company	Beginning balance	Acquisition	Disposal	Valuation gain (loss) on investments in associates	Dividend	Gain (loss) on valuation of investments in associates by equity method	Others	Ending balance
Korea Asset Management Corporation	₩ –	₩ 380,520	₩ –	₩ 8,372	₩ –	₩ 124	₩ 872	₩ 389,888
CGIF	115,486	–	–	1,469	–	(7,806)	(12)	109,137
Total	₩ 115,486	₩ 380,520	₩ –	₩ 9,841	₩ –	₩ (7,682)	₩ 860	₩ 499,025

(3) Financial information of the Consolidated entity's associates as of and for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

(2013)

Company	Assets	Liabilities	Operating income	Net income
Korea Asset Management Corporation	₩ 3,085,016	₩ 1,588,103	₩ 60,742	₩ 53,846
CGIF	756,255	2,366	2,348	2,344
SUNGDONG Shipbuilding & Marine Engineering Co., Ltd.	2,016,279	3,866,313	(74,017)	(77,835)

(2012)

Company	Assets	Liabilities	Operating income	Net income
Korea Asset Management Corporation	₩ 3,100,410	₩ 1,632,089	₩ 77,703	₩ 90,040
CGIF	764,312	586	3,684	3,686

12. TANGIBLE ASSETS

(1) Details of tangible assets as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS) are as follows (Korean won in millions):

(Dec 31, 2013)

Detail	Acquisition cost	Accumulated depreciation	Book value
Lands	₩ 189,585	₩ -	₩ 189,585
Buildings	44,979	(23,119)	21,860
Structures in leased office	74	(48)	26
Vehicles	3,056	(2,114)	942
Furniture and fixture	22,649	(15,281)	7,368
Construction in progress	17,168	-	17,168
Total	**₩ 277,511**	**₩ (40,562)**	**₩ 236,949**

(Dec 31, 2012)

Detail	Acquisition cost	Accumulated depreciation	Book value
Lands	₩ 189,585	₩ -	₩ 189,585
Buildings	45,082	(21,772)	23,310
Structures in leased office	76	(48)	28
Vehicles	2,848	(1,949)	899
Furniture and fixture	20,280	(16,174)	4,106
Construction in progress	10,699	-	10,699
Total	**₩ 268,570**	**₩ (39,943)**	**₩ 228,627**

(Jan 1, 2012)

Detail	Acquisition cost	Accumulated depreciation	Book value
Lands	₩ 189,585	₩ -	₩ 189,585
Buildings	45,454	(20,518)	24,936
Structures in leased office	79	(44)	35
Vehicles	2,939	(2,061)	878
Furniture and fixture	19,036	(15,557)	3,479
Total	**₩ 257,093**	**₩ (38,180)**	**₩ 218,913**

(2) Changes in tangible assets for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

(2013)

Detail	Beginning balance	Acquisitions	Disposals	Depreciation	Foreign transactions	Ending balance
Lands	₩ 189,585	₩ –	₩ –	₩ –	₩ –	₩ 189,585
Buildings	23,310	166	(117)	(1,496)	(3)	21,860
Structures in leased office	28	14	–	(10)	(6)	26
Vehicles	899	479	(24)	(407)	(5)	942
Furniture and fixture	4,106	5,001	(11)	(1,705)	(23)	7,368
Construction in progress	10,699	6,469	–	–	–	17,168
Total	₩ 228,627	₩ 12,129	₩ (152)	₩ (3,618)	₩ (37)	₩ 236,949

(2012)

Detail	Beginning balance	Acquisitions	Disposals	Depreciation	Foreign transactions	Ending balance
Lands	₩ 189,585	₩ –	₩ –	₩ –	₩ –	₩ 189,585
Buildings	24,936	262	(275)	(1,605)	(8)	23,310
Structures in leased office	35	12	–	(15)	(4)	28
Vehicles	878	438	(23)	(389)	(5)	899
Furniture and fixture	3,479	1,821	(145)	(1,021)	(28)	4,106
Construction in progress	–	10,699	–	–	–	10,699
Total	₩ 218,913	₩ 13,232	₩ (443)	₩ (3,030)	₩ (45)	₩ 228,627

13. INTANGIBLE ASSETS

(1) Details of intangible assets as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K–IFRS) are as follows (Korean won in millions):

(Dec 31, 2013)

Detail	Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value
Computer software	₩ 8,770	₩ (4,631)	₩ –	₩ 4,139
System development fees	20,507	(11,934)	–	8,573
Memberships	6,431	–	(1,294)	5,137
Total	₩ 35,708	₩ (16,565)	₩ (1,294)	₩ 17,849

(Dec 31, 2012)

Detail	Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value
Computer software	₩ 6,767	₩ (3,553)	₩ –	₩ 3,214
System development fees	17,962	(11,079)	–	6,883
Memberships	6,328	–	(507)	5,821
Total	₩ **31,057**	₩ **(14,632)**	₩ **(507)**	₩ **15,918**

(Jan 1, 2012)

Detail	Acquisition cost	Accumulated depreciation	Accumulated impairment	Book value
Computer software	₩ 4,955	₩ (2,692)	₩ –	₩ 2,263
System development fees	8,482	(3,672)	–	4,810
Memberships	6,347	–	(477)	5,870
Total	₩ **19,784**	₩ **(6,364)**	₩ **(477)**	₩ **12,943**

(2) Changes in intangible assets for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

(2013)

Detail	Beginning balance	Acquisitions	Disposals	Depreciation	Impairment	Foreign transactions	Ending balance
Computer software	₩ 3,214	₩ 2,033	₩ –	₩ (1,086)	–	₩ (22)	₩ 4,139
System development fees	6,883	2,545	–	(855)	–	–	8,573
Memberships	5,821	313	(208)	–	(786)	(3)	5,137
Total	₩ **15,918**	₩ **4,891**	₩ (208)	₩ **(1,941)**	₩ (786)	₩ **(25)**	₩ **17,849**

(2012)

Detail	Beginning balance	Acquisitions	Depreciation	Impairment	Foreign transactions	Ending balance
Computer software	₩ 2,263	₩ 1,878	₩ (911)	–	₩ (16)	₩ 3,214
System development fees	4,810	2,954	(881)	–	–	6,883
Memberships	5,870	–	–	(31)	(18)	5,821
Total	₩ **12,943**	₩ **4,832**	₩ **(1,792)**	₩ (31)	₩ **(34)**	₩ **15,918**

14. OTHER ASSETS

(1) Details of other assets as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K–IFRS) are as follows (Korean won in millions):

	Dec 31, 2013		Dec 31, 2012		Jan 1, 2012	
Other financial assets:						
Guarantee deposits	₩	36,860	₩	33,957	₩	26,525
Accounts receivable		128,357		698		44,569
Accrued income		688,956		653,610		585,564
Receivable spot exchange		170		150		63
Allowances for loan losses on other assets		(14,304)		(1,335)		(1,407)
		840,039		687,080		655,314
Other assets:						
Prepaid expenses		4,856		2,691		8,278
Sundry assets		10,877		11,047		9,970
		15,733		13,738		18,248
Total	₩	**855,772**	₩	**700,818**	₩	**673,562**

(2) Changes in allowances for loan losses on other assets for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

	2013		2012	
Beginning balance	₩	1,335	₩	1,407
Written–off		–		(5)
Transfers in (out)		12,969		(63)
Foreign exchange translation		–		(4)
Ending balance	₩	**14,304**	₩	**1,335**

15. BORROWINGS

(1) Details of borrowings as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS) are as follows (Korean won in millions):

(Dec 31, 2013)

Detail	Lender	Interest rate (%)	Amount
Borrowings in foreign currency:			
Short term borrowings from foreign financial institutions	CITIBANK N.A. and others	0.83~0.84	₩ 212,358
Long term borrowings from foreign financial institutions	BANK OF TOKYO-MITSUBISHI and others	0.73~2.02	2,563,934
Discount on borrowings			(8,778)
Commercial papers	CITIBANK N.A, HONG KONG and others	0.2~0.81	2,830,263
Offshore long term borrowings	The SUMITOMO TRUST & BANKING CO.	0.98~0.98	31,659
Discount on borrowings			(54)
Others (Foreign banks)		0.33~3.35	194,975
Others (CSA-Credit Support Annex)		-	18,266
Subtotal			5,842,623
Securities sold under repurchase agreement			102,020
Total			**₩ 5,944,643**

(Dec 31, 2012)

Detail	Lender	Interest rate (%)	Amount
Borrowings in foreign currency:			
Short term borrowings from domestic banking institutions in foreign currency		-	₩ 37,471
Short term borrowings from foreign financial institutions	CITIBANK JAPAN LTD.	0.77~0.77	180,240
Long term borrowings from foreign financial institutions	BANK OF TOKYO-MITSUBISHI, LTD, SEOUL and others	0.98~1.33	1,586,148
Discount on borrowings		-	(7,606)
Commercial papers	ING BANK NV and others	0.24~1.19	755,875
Offshore short term borrowings in foreign currency	NATIONAL BANK OF ABUDHABI and others	1.01~1.01	107,110
Offshore long term borrowings in foreign currency	NATIONAL BANK OF ABUDHABI and others	1.01~1.01	32,133
Discount on borrowings			(403)
Others (Foreign banks)		0.71~3.59	206,966
Others (CSA)		0.00~0.19	190,035
Subtotal			3,087,969
Securities sold under repurchase agreement			63,929
Total			**₩ 3,151,898**

(Jan 1, 2012)

Detail	Lender	Interest rate (%)	Amount
Call Money:			
Call money in won	SHINHAN BANK and others	3.18	₩ 20,000
Call money in foreign currency	THE KOREA DEVELOPMENT BANK	5.33~5.35	47,940
Subtotal			67,940
Borrowings in foreign currency			
Short term borrowings from domestic banking institutions in foreign currency		–	57,624
Due To B. O. K. special account			46,132
Short term borrowings from foreign financial institutions	CITI BANK N.A. and others	0.88~1.48	497,923
Long term borrowings from foreign financial institutions	BANK OF TOKYO–MITSUBISHI and others	0.73~2.02	2,502,403
Discount on borrowings		–	(8,956)
Commercial papers	CITIBANK N.A., HONG KONG and others	0.2~0.81	2,103,275
Offshore long term borrowings	The SUMITOMO TRUST & BANKING CO,	0.98	63,432
Discount on borrowings			(234)
Others (Foreign banks)		0.33~3.35	256,340
Others (CSA)	STANDARD CHARTERED BANK	–	122,089
Subtotal			5,640,028
Securities sold under repurchase agreement			90,826
Total			**₩ 5,798,794**

(*) Borrowings as presented here do not include present value discounts.

(2) Details of borrowings from financial institutions as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K–IFRS) are as follows (Korean won in millions):

(Dec 31, 2013)

Detail	Securities sold under repurchase agreement	Borrowings in foreign currency	Total (*)
Banks	102,020	5,842,623	5,944,643
Others	–	–	–
Total	**102,020**	**5,842,623**	**5,944,643**

(Dec 31, 2012)

Detail	Securities sold under repurchase agreement	Borrowings in foreign currency	Total (*)
Banks	63,929	3,087,969	3,151,898
Others	–	–	–
Total	**63,929**	**3,087,969**	**3,151,898**

(Jan 1, 2012)

Detail	Call money	Securities sold under repurchase agreement	Borrowings in foreign currency	Total (*)
Banks	47,940	90,826	5,528,896	5,667,662
Others	20,000	–	111,132	131,132
Total	**67,940**	**90,826**	**5,640,028**	**5,798,794**

(*) Borrowings as presented here do not include present value discounts.

16. DEBENTURES

Details of debentures as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS) are as follows (Korean won in millions):

	Dec 31, 2013		Dec 31, 2012		Jan 1, 2012	
Detail	**Interest rate (%)**	**Amount**	**Interest rate (%)**	**Amount**	**Interest rate (%)**	**Amount**
Local currency:						
Floating rate	2.65-3.76	₩ 1,490,000		₩ –	3.58~3.59	₩ 300,000
Fixed rate	2.69-5.17	6,640,000	2.69-5.27	7,330,000	3.30~5.27	7,230,000
		8,130,000		7,330,000		7,530,000
Discount on debentures		(21,810)		(13,873)		(76,316)
Loss on fair value hedged items		–		–		(1,679)
		8,108,190		7,316,127		7,452,005
Foreign currency:						
Floating rate	0.32~10.00	4,363,720	0.43-5.15	2,344,844	0.70~5.09	2,757,586
Fixed rate	0.30~10.49	30,350,558	0.50-14.00	29,968,014	0.50~10.47	28,699,480
		34,714,278		32,312,858		31,457,066
Gain on fair value hedged items		70,321		811,133		759,645
Discount on debentures		(182,966)		(272,943)		(300,305)
		34,601,633		32,851,048		31,916,406
Total		**₩ 42,709,823**		**₩ 40,167,175**		**₩ 39,368,411**

17. PROVISIONS

(1) Details of provisions as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS) are as follows (Korean won in millions):

	Dec 31, 2013		Dec 31, 2012		Jan 1, 2012	
Provisions for acceptances and guarantees	₩	155,612	₩	169,684	₩	298,497
Provisions for unused loan commitments		89,716		54,919		144,474
Others		92		88		44,581
Total	₩	**245,420**	₩	**224,691**	₩	**487,552**

(2) Changes in provisions for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

(2013)

Detail	Acceptances and guarantees		Unused loan commitments		Others		Total	
Beginning balance	₩	169,684	₩	54,919	₩	88	₩	224,691
Foreign exchange translation		(117)		(89)		(2)		(208)
Transfers in (out)		(13,955)		34,886		6		20,937
Ending balance	₩	**155,612**	₩	**89,716**	₩	**92**	₩	**245,420**

(2012)

Detail	Acceptances and guarantees		Unused loan commitments		Others		Total	
Beginning balance	₩	298,497	₩	144,474	₩	44,581	₩	487,552
Foreign exchange translation		(66)		(35)		(1)		(102)
Transfers in (out)		(128,747)		(89,520)		(44,492)		(262,759)
Ending balance	₩	**169,684**	₩	**54,919**	₩	**88**	₩	**224,691**

18. RETIREMENT BENEFIT PLAN

The Consolidated Entity operates both defined benefit plan and defined contribution plan.

(1) Defined benefit plan

The Consolidated Entity operates both defined benefit plans which have the following characteristics:

- The entity has the obligation to pay the agreed benefits to all its current and past employees.
- The entity is liable for actuarial risk (excess of actual payment against expected amount) and investment risk.

The present value of the defined benefit obligation recognized in the consolidated statements of financial position is calculated annually by independent actuaries in accordance with actuarial valuation method.

The present value of the defined benefit obligation is calculated using the Projected Unit Credit method (the 'PUC'). The data used in the PUC such as interest rates, future salary increase rate, mortality rate, consumer price index and expected return on plan assets are based on observable market data and historical data which are annually updated.

Actuarial assumptions may differ from actual results, such as change in the market, economic trend and mortality trend which may affect defined benefit obligation liabilities and future payments. Actuarial gains and losses arising from changes in actuarial assumptions are recognized in the period incurred through other comprehensive income or loss.

(2) Details of defined benefit obligation as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS) are as follows (Korean won in millions):

	Dec 31, 2013		Dec 31, 2012		Jan 1, 2012	
Present value of defined benefit obligations	₩	62,295	₩	61,188	₩	53,900
Fair value of plan assets		(34,311)		(28,324)		–
Defined benefit obligation, net	₩	27,984	₩	32,864	₩	53,900

(3) Changes in net defined benefit obligations for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

(2013)

	Present value of the defined benefit obligation		Plan assets		Net defined benefit obligation	
Beginning balance	₩	61,188	₩	(28,324)	₩	32,864
Contributions from the employer		–		(5,997)		(5,997)
Current service cost		8,666		(1,301)		7,365
Interest expense (income)		2,796		–		2,796
Return on plan assets, excluding amounts included in interest income above		–		300		300
Actuarial gains and losses arising from changes in demographic assumptions		–		–		–
Actuarial gains and losses arising from changes in financial assumptions		(3,994)		–		(3,994)
Actuarial gains and losses arising from empirical adjustment		(4,825)		–		(4,825)
Changes of foreign exchange rate		–		158		158
Benefits paid		(1,536)		853		(683)
Ending balance	₩	62,295	₩	(34,311)	₩	27,984

(2012)

	Present value of the defined benefit obligation		Plan assets		Net defined benefit obligation	
Beginning balance	₩	53,900	₩	–	₩	53,900
Contributions from the employer		–		(27,864)		(27,864)
Current service cost		7,454		–		7,454
Interest expense (income)		2,946		(467)		2,479
Return on plan assets, excluding amounts included in interest income above		–		–		–
Actuarial gains and losses arising from changes in demographic assumptions		–		–		–
Actuarial gains and losses arising from changes in financial assumptions		2,152		–		2,152
Actuarial gains and losses arising from empirical adjustment		–		–		–
Changes of foreign exchange rate		(19)		–		(19)
Benefits paid		(5,245)		7		(5,238)
Ending balance	₩	61,188	₩	(28,324)	₩	32,864

(4) Details of plan assets as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS) are as follows (Korean won in millions):

	Dec 31, 2013		Dec 31, 2012		Jan 1, 2012	
Cash and cash equivalent	₩	8,428	₩	16,901	₩	–
Debt securities		2,363		4,467		–
Derivatives		–		2		–
Asset-backed-securities		–		141		–
Others		23,520		6,813		–
Total	₩	34,311	₩	28,324	₩	–

(5) Actuarial assumptions used in retirement benefit obligation assessment as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS) are as follows:

	Dec 31, 2013	Dec 31, 2012	Jan 1, 2012
Discount rate	5.06%	4.59%	4.59%
Expected wage growth rate	3.04%	3.04%	3.04%

(6) Assuming that all the other assumptions remain unchanged, the effect of changes in the significant actuarial assumptions which were made within the reasonable limit on retirement benefit obligations as of December 31, 2013 is as follows:

Description	1% Increase	1% Decrease
Change of discount rate	(7,415)	8,951
Change of future salary increase rate:	9,042	(7,608)

The above sensitivity analysis does not present any actual changes in the retirement benefit obligations as there is no change in actuarial assumptions which is independently made due to the correlation among the assumptions. In addition, the actuarial present value of promised retirement benefits in the sensitivity analysis is determined using the projected unit credit method, which is used in the calculation of the retirement benefit obligations in the consolidated financial statements.

(7) Retirement benefit cost incurred from the defined contribution plan for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

	2013	2012
Severance benefits – defined contribution	₩ 494	₩ 131

19. OTHER LIABILITIES

Details of other liabilities as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS) are as follows (Korean won in millions):

	Dec 31, 2013	Dec 31, 2012	Jan 1, 2012
Other financial liabilities:			
Guarantee deposits	₩ 375,023	₩ 284,108	₩ 219,004
Foreign exchanges payable	37	63,794	95,419
Accounts payable	5,328	5,012	10,132
Accrued expenses	563,173	548,766	517,045
Guarantee deposit received	108	108	1,112
	943,669	901,788	842,712
Other liabilities:			
Allowance for credit loss in derivatives	10,757	14,554	25,934
Unearned income	142,132	111,322	68,588
Sundry liabilities	10,670	14,487	115,492
	163,559	140,363	210,014
Total	₩ 1,107,228	₩ 1,042,151	₩ 1,052,726

20. DERIVATIVES

The Consolidated Entity operates derivatives for trading and hedging instruments. Derivatives held for trading purpose are included in financial assets and liabilities at FVTPL.

(1) Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. When applying fair value hedge, the gain or loss on the hedged item attributable to the hedged risk shall adjust the carrying amount of the hedged item and be recognized in profit or loss.

The Consolidated Entity shall discontinue prospectively the fair value hedge if the hedging instrument expires or is sold, terminated or exercised the hedge no longer meets the criteria for hedge accounting or the Consolidated Entity revokes the designation. Any adjustment arising from the gain or loss on the hedged item attributable to the hedged risk to the carrying amount of a hedged financial instrument for which the effective interest method is used shall be amortized to profit or loss.

The Consolidated Entity uses interest rate swaps for hedging changes of fair values in hedged items arising from changes in interest rates. The Consolidated Entity also uses currency swaps for hedging changes of fair values in hedged items arising from changes in foreign exchange rates.

(2) Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction and could affect profit or loss. When applying cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized in other comprehensive income; and the ineffective portion of the gain or loss on the hedging instrument shall be recognized in profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss.

The Consolidated Entity shall discontinue prospectively the cash flow hedge if hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting; or the Consolidated Entity revokes the designation. The forecast transaction is no longer expected to occur, in which case any related cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income from the period when the hedge was effective shall be reclassified from equity to profit or loss as a reclassification adjustment.

The Consolidated Entity uses interest rate swaps for hedging changes of cash flows in hedged items arising from changes in interest rates. The Consolidated Entity also uses currency swaps for hedging changes of cash flows in hedged items arising from changes in foreign exchange rates.

(3) Details of derivative assets and liabilities as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS) are as follows (Korean won in millions):

(Dec 31, 2013)

		Derivative assets			
Detail	Notional	Fair value hedge	Cash flow hedge	Trading	Total
Interest:					
Interest rate swaps	₩ 14,651,225	₩ 177,324	₩ 60	₩ 540	₩ 177,924
Currency:					
Currency forwards	1,195,972	–	–	28,208	28,208
Currency swaps	15,393,129	200,940	–	125,620	326,560
	16,589,101	200,940	–	153,828	354,768
Total	**₩ 31,240,326**	**₩ 378,264**	**₩ 60**	**₩ 154,368**	**₩ 532,692**

		Derivative liabilities			
Detail	Notional	Fair value hedge	Cash flow hedge	Trading	Total
Interest:					
Interest rate swaps	₩ 12,699,962	₩ 231,440	₩ 1,838	₩ 64,710	₩ 297,988
Currency:					
Currency forwards	14,748,413	–	–	782	782
Currency swaps	28,945,571	1,566,435	–	153,207	1,719,642
	43,693,984	1,566,435	–	153,989	1,720,424
Total	**₩ 56,393,946**	**₩ 1,797,875**	**₩ 1,838**	**₩ 218,699**	**₩ 2,018,412**

(Dec 31, 2012)

		Derivative assets			
Detail	Notional	Fair value hedge	Cash flow hedge	Trading	Total
Interest:					
Interest rate swaps	₩ 14,621,714	₩ 485,012	₩ 111	₩ 3,513	₩ 488,636
Currency:					
Currency forwards	1,026,890	–	–	7,736	7,736
Currency swaps	14,388,879	388,150	–	31,659	419,809
	15,415,769	388,150	–	39,395	427,545
Total	**₩ 30,037,483**	**₩ 873,162**	**₩ 111**	**₩ 42,908**	**₩ 916,181**

		Derivative liabilities			
Detail	Notional	Fair value hedge	Cash flow hedge	Trading	Total
Interest:					
Interest rate swaps	₩ 14,621,714	₩ 217,879	₩ 4,605	₩ 88,181	₩ 310,665
Currency:					
Currency forwards	1,026,890	–	–	12,314	12,314
Currency swaps	14,388,879	695,993	–	167,425	863,418
	15,415,769	695,993	–	179,739	875,732
Total	₩ 30,037,483	₩ 913,872	₩ 4,605	₩ 267,920	₩ 1,186,397

(Jan 1, 2012)

		Derivative assets			
Detail	Notional	Fair value hedge	Cash flow hedge	Trading	Total
Interest:					
Interest rate swaps	₩ 12,100,233	₩ 402,192	₩ –	₩ 4,669	₩ 406,861
Currency:					
Currency forwards	841,586	–	–	2,833	2,833
Currency swaps	14,087,839	592,041	–	195,545	787,586
	14,929,425	592,041	–	198,378	790,419
Total	₩ 27,029,658	₩ 994,233	₩ –	₩ 203,047	₩ 1,197,280

		Derivative liabilities			
Detail	Notional	Fair value hedge	Cash flow hedge	Trading	Total
Interest:					
Interest rate swaps	₩ 12,100,233	₩ 298,208	₩ –	₩ 76,456	₩ 374,664
Currency:					
Currency forwards	841,586	–	–	12,549	12,549
Currency swaps	14,087,839	507,933	–	111,795	619,728
	14,929,425	507,933	–	124,344	632,277
Total	₩ 27,029,658	₩ 806,141	₩ –	₩ 200,800	₩ 1,006,941

(4) Gains and losses from fair value hedging instruments and hedged items attributable to the hedged risk for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

	2013	2012
Fair value hedge – hedged items	₩ 657,891	₩ (108,062)
Fair value hedge – hedging instruments	(1,859,353)	(64,291)

(5) The Consolidated Entity recognized ₩2,616 million and ₩(4,235) million as other comprehensive income (losses) (not adjusting tax effect), and cash flow hedge ineffectiveness of ₩100 million and ₩(258) million was recognized in earnings, for the years ended December 31, 2013 and 2012, respectively.

21. CAPITAL STOCK

As of December 31, 2013, the authorized capital and paid-in capital of the Consolidated Entity are ₩8,000,000 million and ₩7,238,055 million, respectively. The Consolidated Entity does not issue share certificates.

Changes in capital stock for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

	2013		2012	
Beginning balance	₩	7,138,055	₩	6,258,755
Increase in capital and investment in kind		100,000		879,300
Ending balance	₩	7,238,055	₩	7,138,055

22. OTHER RESERVES

(1) Details of other reserves as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K–IFRS) are as follows (Korean won in millions):

	Dec 31, 2013		Dec 31, 2012		Jan 1, 2012	
Gain on valuation of AFS securities	₩	55,493	₩	27,809	₩	221,969
Loss on valuation of cash flow hedge		(1,227)		(3,210)		–
Other comprehensive loss on investment in associates		(6,842)		(5,825)		(2)
Translation of overseas business		(14,850)		(9,977)		–
Remeasurement elements of net defined benefit liability		4,827		(1,631)		–
Total	₩	37,401	₩	7,166	₩	221,967

(2) Changes in other reserves for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

(2013)

	Beginning balance		Increase (decrease)		Tax effect		Ending balance	
Gain on valuation of AFS securities	₩	27,809	₩	36,524	₩	(8,840)	₩	55,493
Loss on valuation of cash flow hedge		(3,210)		2,616		(633)		(1,227)
Other comprehensive loss on investment in associates		(5,825)		(1,341)		324		(6,842)
Translation of overseas business		(9,977)		(6,430)		1,557		(14,850)
Remeasurement elements of net defined benefit liability		(1,631)		8,520		(2,062)		4,827
Total	₩	7,166	₩	39,889	₩	(9,654)	₩	37,401

(2012)

	Beginning balance	Increase (decrease)	Tax effect	Ending balance
Gain on valuation of AFS securities	₩ 221,969	₩ (256,147)	₩ 61,987	₩ 27,809
Loss on valuation of cash flow hedge	–	(4,235)	1,025	(3,210)
Other comprehensive loss on investment in associates	(2)	(7,683)	1,860	(5,825)
Translation of overseas business	–	(13,162)	3,185	(9,977)
Remeasurement elements of net defined benefit liability	–	(2,152)	521	(1,631)
Total	**₩ 221,967**	**₩ (283,379)**	₩ 68,578	**₩ 7,166**

23. RETAINED EARNINGS

(1) Details of retained earnings as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K–IFRS) are as follows (Korean won in millions):

	Dec 31, 2013	Dec 31, 2012	Jan 1, 2012
Legal reserve (*1)	₩ 314,011	₩ 299,117	₩ 284,436
Voluntary reserve (*2)	1,067,878	968,118	869,614
Retained earnings before appropriation	589,332	662,100	418,353
Total	**₩ 1,971,221**	**₩ 1,929,335**	**₩ 1,572,403**

(*1) Pursuant to the EXIM Bank Act, the Consolidated Entity appropriates 10% of net income for each accounting period as legal reserve, until the accumulated reserve equals to its paid-in capital.

(*2) The Consolidated Entity appropriates the remaining balance of net income, after the appropriation of legal reserve and declaration of dividends, to voluntary reserve.

(2) Changes in retained earnings for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

	2013	2012
Beginning balance	₩ 1,929,335	₩ 1,572,403
Net income for the period	76,172	390,550
Appropriation	(34,286)	(33,618)
Ending balance	**₩ 1,971,221**	**₩ 1,929,335**

(3) Details of dividends for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

	2013		2012	
The Government	₩	23,149	₩	21,164
BOK		5,596		6,258
Korea Finance Corporation		5,541		6,196
Total	₩	34,286	₩	33,618

24. RESERVE FOR BAD LOANS

Reserve for bad loans is calculated and disclosed according to Article 29 (1) and (2), Regulation on Supervision of Banking Business.

(1) Reserve for bad loans

Details of reserve for bad loans as of December 31, 2013 are as follows (Korean won in millions):

	Dec 31, 2013	
Accumulated reserve for bad loans (*)	₩	417,677
Expected reserve for bad loans (*)		91,402
Reserve for bad loans	₩	509,079

(*) Accumulated reserve for bad loans and expected reserve for bad loans are calculated as if reserve for bad loans were implemented from 2012.

(2) Expected reserve for bad loans and net income after adjusting reserve for bad loans

Details of expected reserve for bad loans and net income after adjusting the reserve for the year ended December 31, 2013 is as follows (Korean won in millions):

	Dec 31, 2013	
Net income for the period	₩	76,557
Expected reserve for bad loans		(91,402)
Net loss after adjusting the reserve for bad loans (*)	₩	(14,845)

(*) Adjusted income considering reserves for bad debt as above is calculated by assuming that the provision in reserves for bad debt before income tax is reflected in net income.

25. NET INTEREST INCOME

Net interest income is the amount after deduction of interest expenses from interest income and the details are as follows:

(1) Details of interest income for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

		2013		2012
Interest of due from financial institutions:				
Due from financial institutions in local currency	₩	12,004	₩	21,088
Due from financial institutions in foreign currency		8,915		22,427
		20,919		43,515
Interest of financial assets at FVTPL:				
Interest of trading securities		346		268
Interest of investments:				
Interest of AFS securities		4,422		5,251
Interest of held-to-maturity securities		11,770		16,611
		16,192		21,862
Interest of loans:				
Interest of loans in local currency		587,897		596,450
Interest of loans in foreign currency		1,052,655		1,060,807
Interest of notes bought		-		553
Interest of bills bought		30,266		65,526
Interest of advanced for customers		443		-
Interest of call loans		11,152		7,597
Interest of interbank loans		2,320		27,011
Interest of finance lease		-		7,400
		1,684,733		1,765,344
Interest of others		9,655		3,870
Total	₩	1,731,845	₩	**1,834,859**

Interest income accrued from impaired loan is ₩18,076 million and ₩16,572 million for the years ended December 31, 2013 and 2012, respectively.

(2) Details of interest expenses for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

	2013		2012	
Interest of borrowings:				
Borrowings in foreign currency	₩	43,964	₩	63,245
RP		510		889
		44,474		64,134
Interest of call money		12,059		3,955
Interest of debentures:				
Interest of debentures in local currency		264,938		297,824
Interest of debentures in foreign currency		1,016,019		1,115,777
		1,280,957		1,413,601
Interest of others		3,492		9,509
Total	₩	**1,340,982**	₩	**1,491,199**

26. NET COMMISSION INCOME

Net commission income is the amount after deduction of commission expenses from commission income, and the details are as follows.

(1) Details of commission income for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

	2013		2012	
Commission income in local currency:				
Commission income on management of Economic Development Cooperation Fund ("EDCF")	₩	9,625	₩	8,520
Commission income on management of Inter–Korean Cooperation Fund ("IKCF")		2,729		2,641
		12,354		11,161
Commission income in foreign currency:				
Commission income on letter of credit		2,397		2,516
Commission income on confirmation on export letter of credit		1,214		1,165
Commission income on loans commitment		79,539		54,896
Management fee		308		3
Arrangement fee		3,690		4,974
Commission income on government guarantee agency		–		21
Advisory fee		199		34
Commission income on agency		16		97
Sundry commission income on foreign currency loans		1,145		1,103

(Continued)

	2013		2012	
Cancellation fee	₩	2,997	₩	1,572
Advanced redemption fee		32,150		3,068
Sundry commission income on foreign exchange		300		482
Commission income on offshore loans		–		43
Sundry Commissions Received On Offshore Transaction		17		–
Commission income on export factoring		–		11
Commission income on import factoring		1		6
		123,973		69,991
Others:				
Other commission income		1,730		4,510
Guarantee fees on foreign exchange		183,218		194,775
Premium for guarantee		22,874		13,974
		206,092		208,749
Total	₩	344,149	₩	294,411

(2) Details of commission expenses for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

	2013		2012	
Commission expenses in local currency:				
Commission expenses on borrowings	₩	132	₩	132
Commission expenses on domestic transactions		205		165
Sundry commission expenses on domestic transactions		3		2
		340		299
Commission expenses in foreign currency:				
Commission expenses on borrowings		10		11
Commission expenses on borrowings in foreign currency		2,162		3,872
Sundry commission expenses on foreign exchange		382		455
Commission expenses on offshore borrowings		15		16
Sundry commission expenses on offshore transactions		40		17
		2,609		4,371
Others:				
Other commission expenses		287		507
Other commission expenses–deferred		46		–
		333		507
Total	₩	3,282	₩	5,177

27. DIVIDEND INCOME

Details of dividend income for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

	2013		2012	
AFS securities	₩	14,035	₩	18,459

28. GAIN (LOSS) ON FINANCIAL ASSETS AT FVTPL

Details of gain (loss) on financial assets at FVTPL for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

	2013		2012	
Trading securities:				
Gain on valuation	₩	1,498	₩	–
Gain on disposal		5,567		14,577
Loss on disposal		(125)		–
		6,940		14,577
Trading derivatives:				
Gain on valuation		163,518		66,334
Loss on valuation		(146,307)		(136,721)
Gain on transaction		261,286		291,516
Loss on transaction		(115,590)		(302,580)
		162,907		(81,451)
Total	₩	**169,847**	₩	**(66,874)**

29. GAIN (LOSS) ON HEDGING DERIVATIVES

Details of gain (loss) on hedging derivatives for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

	2013		2012	
Gain on hedging derivatives	₩	218,101	₩	552,034
Loss on hedging derivatives		(2,077,354)		(616,583)
Total	₩	**(1,859,253)**	₩	**(64,549)**

30. GAIN (LOSS) ON FINANCIAL INVESTMENTS

Details of gain (loss) on financial investments for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

	2013	2012
AFS securities:		
Gain on disposals	₩ 22,197	₩ 401,592
Loss on disposals	(1,761)	(7,725)
Gain on redemption	–	29
Loss on redemption	(170)	(163)
Impairment loss	(21,531)	(9,472)
Reversal of impairment loss	–	549
	(1,265)	384,810
Held–to–maturity securities:		
Gain on disposals	123	577
Loss on disposals	–	(400)
	123	177
Total	**₩ (1,142)**	**₩ 384,987**

31. OTHER OPERATING INCOME (EXPENSES)

Details of other operating income (expenses) for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

	2013	2012
Other operating income:		
Gain on disposal of loans	₩ 8	₩ 21
Gain on redemption of loans	139	–
Gain on fair value hedged items	776,598	233,524
Others	25,656	15,437
	802,401	248,982
Other operating expenses:		
Loss on fair value hedged items	118,706	341,586
Contribution for fund	5,745	5,664
Loss on redemption of debentures	13	302
Others	18,872	318
	143,336	347,870
Total	**₩ 659,065**	**₩ (98,888)**

32. IMPAIRMENT LOSS (REVERSAL) ON CREDIT

Details of impairment loss (reversal) on credit for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

	2013	2012
Loans	₩ 604,028	₩ 647,389
Other financial assets	12,970	(64)
Guarantees	(13,955)	(128,747)
Unused loan commitments	34,886	(89,520)
Other provisions	-	(44,492)
Financial guarantee contract	(11,130)	(1,522)
Total	₩ 626,799	₩ 383,044

33. GENERAL AND ADMINISTRATIVE EXPENSES

Details of general and administrative expenses for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

	Detail	2013	2012
General and administrative expenses in financing	Short-term salaries	₩ 87,228	₩ 78,925
	Office expenses	51,510	47,496
		138,738	126,421
Office expenses of EDCF		1,696	1,362
General and administrative expenses in others	Post-employment benefit (defined contributions)	494	131
	Post-employment benefit (defined benefits)	10,325	9,933
	Depreciation of tangible assets	3,660	3,030
	Amortization of intangible assets	1,916	1,787
	Taxes and duties	31,737	29,796
		48,132	44,677
Total		₩ 188,566	₩ 172,460

34. NON-OPERATING INCOME (EXPENSES)

Details of non-operating income (expenses) for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

	Detail	2013		2012	
Gain (loss) on investments in associates	Valuation gain on investments in associates	₩	14,689	₩	9,841
	Valuation loss on investments in associates		(9)		–
	Loss on disposals of investments in associates		–		(12)
			14,680		9,829
Others	Gain on disposals of tangible assets		73		778
	Rent income		46		28
	Interest on other loans		153		191
	Revenue on research project		5,185		1,803
	Others		411		470
			5,868		3,270
Others	Loss on disposals of tangible assets		4		5
	Loss on disposals of intangible assets		4		–
	Impairment loss of intangible assets		786		31
	Expenses for contribution		5,347		4,084
	Court cost		1,021		1,380
	Expenses on research project		4,649		4,634
	Others		420		176
			12,231		10,310
Total		₩	8,317	₩	2,789

35. INCOME TAX EXPENSE

(1) Details of income tax expenses for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

	2013		2012	
Current income tax payable	₩	133,348	₩	86,981
Adjustment recognized in the period for current tax of prior periods		7,121		(4,483)
Changes in deferred income taxes due to temporary differences		(115,269)		(40,991)
Changes in deferred income taxes directly reflected in equity		(9,546)		68,728
Income tax expense	₩	19,126	₩	110,235

(2) Changes in temporary differences and deferred income tax assets (liabilities) for the years ended December 31, 2013 and 2012, are as follows (Korean Won in millions):

(2013)

Detail	Temporary differences: Beginning balance	Temporary differences: Increase (decrease)	Temporary differences: Ending balance	Deferred tax assets (liabilities) – ending balance
Depreciation expense	₩ 4,443	₩ 1,589	₩ 6,032	₩ 1,460
Fair value hedging income (loss)	570,710	(651,809)	(81,099)	(19,626)
Financial guarantee contract liability	(58,072)	281,259	223,187	53,995
Allowance account	1,065,678	361,431	1,427,109	345,291
Unused commitment provisions	54,940	34,794	89,734	21,711
Net deferred origination fees and costs	358,019	50,198	408,217	98,583
Long-term income in advance	(15,944)	14,014	(1,930)	(467)
Revaluation income	(185,101)	185,101	–	–
Provisions for acceptances and guarantees	169,684	(14,072)	155,612	37,658
Debt-for-equity swap stocks	78,265	(21,263)	57,002	13,794
Losses on valuation of derivatives	262,021	(1,428,543)	(1,166,522)	(280,441)
Gains on valuation of derivatives	(440,458)	1,919,364	1,478,906	357,625
Defined benefit liability	20,882	1,795	22,677	5,488
Other provisions	6,250	(6,250)	–	–
Accrued interest and interest receivables related to swap transaction	(297,177)	(25,496)	(322,673)	(78,087)
Tangible asset	–	(185,978)	(185,978)	(45,007)
Others	15,146	(414)	14,732	11,167
Subtotal	₩ 1,609,286	₩ 515,720	₩ 2,125,006	₩ 523,144
Deferred income tax assets (liabilities) directly adjusted in equity				(11,684)
Total				₩ 511,460

(2012)

Detail	Temporary differences: Beginning balance	Temporary differences: Increase (decrease)	Temporary differences: Ending balance	Deferred tax assets (liabilities) – ending balance
Depreciation expense	₩ 4,381	₩ 62	₩ 4,443	₩ 1,075
Fair value hedging income (loss)	454,472	116,238	570,710	138,112
Financial guarantee contract liability	(98,940)	40,868	(58,072)	(14,077)
Allowance account	613,430	452,248	1,065,678	257,829
Unused commitment provisions	144,474	(89,534)	54,940	13,291
Net deferred origination fees and costs	344,381	13,638	358,019	86,403
Long–term income in advance	2,861	(18,805)	(15,944)	(3,858)
Revaluation income	(185,101)	–	(185,101)	(44,794)
Provisions for acceptances and guarantees	298,497	(128,813)	169,684	41,063
Debt–for–equity swap stocks	74,004	4,261	78,265	18,940
Losses on valuation of derivatives	141,852	120,169	262,021	65,276
Gains on valuation of derivatives	(208,955)	(231,503)	(440,458)	(107,061)
Defined benefit liability	44,444	(23,562)	20,882	5,053
Other provisions	48,625	(42,375)	6,250	1,513
Accrued interest and interest receivables related to swap transaction	(179,225)	(117,952)	(297,177)	(71,917)
Available–for–sale securities	222,684	(222,684)	–	–
Others	37,914	(22,768)	15,146	11,480
Subtotal	₩ 1,759,798	₩ (150,512)	₩ 1,609,286	₩ 398,328
Deferred income tax assets (liabilities) directly adjusted in equity				(2,137)
Total				₩ **396,191**

(3) Income tax expense reconciled to income (loss) before income tax expense for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

	2013		2012	
Net income before income tax	₩	95,683	₩	501,069
Tax calculated at statutory tax rate (*)		22,924		121,027
Adjustments:				
Effect of non-taxable income		(246)		(199)
Effect of non-deductible expense		2,449		369
Tax return		(7,479)		(334)
Unrecognized temporary differences		(4,606)		(5,415)
Others		(1,037)		(730)
		(10,919)		(6,309)
Adjustment recognized in the period for current tax of prior periods		7,121		(4,483)
Income tax expense	₩	19,126	₩	110,235
Effective tax rate from operations		19.99%		22.00%

(*) The corporate tax rate is 11% up to ₩200 million, 22% over ₩200 million to ₩20 billion and 24.2% over ₩20 billion.

(4) Details of deferred tax relating to items that are recognized directly in equity as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS) are as follows (Korean won in millions):

	Dec 31, 2013		Dec 31, 2012		Jan 1, 2012	
Loss on valuation of AFS securities	₩	(17,717)	₩	(8,878)	₩	(70,866)
Gain on valuation of cash flow hedge		392		1,025		-
Other comprehensive income on investment in associates		2,184		1,860		1
Translation of overseas business		4,998		3,335		-
Remeasurement of net defined benefit liability		(1,541)		521		-
Total	**₩**	**(11,684)**	**₩**	**(2,137)**	**₩**	**(70,865)**

(5) Unrecognized deferred tax assets and liabilities

There is no deferred income tax liabilities recognized for taxable temporary differences associated with investments in subsidiaries and associates amounting to ₩ 53,480 million as of December 31, 2013 as the Consolidated Entity is not able to control the timing of the reversal of the temporary differences and it is not probable that the temporary differences will not reverse in the foreseeable future. And the Consolidated Entity also does not recognize deferred tax assets for deductible temporary differences of ₩3,122 million related to impairment loss of AFS securities because the realizable period has already passed.

36. CONSOLIDATED STATEMENTS OF CASH FLOWS

(1) Cash and cash equivalents as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS) is equal to the due from financial institutions in the consolidated statements of cash flows and as detailed in Note 7.

(2) Details of non-cash flow transactions in investing and financing activities for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

	2013		2012	
Debt-for-equity swap of loans	₩	68,074	₩	519
Transfer of AFS securities to investments in associates		-		2,092
Investment in kind		-		879,300
Gain on valuation of AFS securities		36,524		256,147
Remeasurement of net defined benefit liability		8,520		(2,152)

37. CONTINGENT LIABILITIES AND COMMITMENTS

(1) Details of contingent liabilities and commitments as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS) are as follows (Korean won in millions):

Detail		Dec 31, 2013		Dec 31, 2012		Jan 1, 2012	
Guarantees	Confirmed	₩	41,690,618	₩	39,229,941	₩	42,342,912
	Unconfirmed		12,373,387		13,853,648		18,972,078
		₩	54,064,005	₩	53,083,589	₩	61,314,990
Loan commitments	Local currency, foreign currency loan commitments		26,065,878		27,987,536		15,005,211
	Others		466,329		403,820		535,753
		₩	26,532,207	₩	28,391,356	₩	15,540,964
Total		₩	**80,596,212**	₩	**81,474,945**	₩	**76,855,954**

(2) Details of guarantees that have been provided for others as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS) are as follows (Korean won in millions):

Detail		Dec 31, 2013	Dec 31, 2012	Jan 1, 2012
Confirmed guarantees	Local currency:			
	Performance of contracts	₩ 125,089	₩ 101,036	₩ 122,863
	Repayment of advances	149,129	148,617	143,035
	Foreign liabilities	62,171	-	78,549
	Others	49,475	133,017	76,584
		385,864	382,670	421,031
	Foreign currency:			
	Performance of contracts	12,551,136	10,706,084	9,827,922
	Repayment of advances	19,145,553	20,631,991	26,593,100
	Acceptances of imported goods	3,629	6,577	9
	Acceptance of import letter of credit outstanding	478,074	156,010	135,943
	Foreign liabilities	4,351,156	2,947,526	2,137,294
	Others	4,775,206	4,399,083	3,227,613
		41,304,754	38,847,271	41,921,881
Unconfirmed guarantees	Performance of contracts	119,483	-	165,262
	Letters of credit	43,947	310,685	135,467
	Foreign liabilities	1,596,717	1,837,670	1,321,118
	Repayment of advances	10,240,502	11,304,747	17,349,898
	Others	372,738	400,546	333
		12,373,387	13,853,648	18,972,078
Total		**₩ 54,064,005**	**₩ 53,083,589**	**₩ 61,314,990**

(3) Details of guarantees classified by country as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS) are as follows (Korean won in millions):

(Dec 31, 2013)

		Confirmed guarantees		Unconfirmed guarantees		Total	
Detail		Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Asia	Korea	₩ 35,669,756	85.56	₩ 10,468,506	84.61	₩ 46,138,262	85.34
	India	255,596	0.61	43,080	0.35	298,676	0.55
	Vietnam	227,857	0.55	177,800	1.44	405,657	0.75
	Saudi Arabia	524,914	1.26	365,356	2.95	890,270	1.65
	Others	2,015,879	4.84	447,381	3.62	2,463,260	4.56
		38,694,002	92.82	11,502,123	92.97	50,196,125	92.85
Europe	France	217,958	0.52	140	–	218,098	0.40
	Others	391,814	0.94	332,105	2.69	723,919	1.34
		609,772	1.46	332,245	2.69	942,017	1.74
America	U.S.A.	1,384,477	3.32	342,346	2.77	1,726,823	3.19
	Mexico	293,501	0.70	12,819	0.10	306,320	0.57
	Others	339,853	0.82	17,644	0.14	357,497	0.66
		2,017,831	4.84	372,809	3.01	2,390,640	4.42
Africa	Madagascar	193,817	0.46	–	–	193,817	0.36
	Others	175,196	0.42	166,210	1.33	341,406	0.63
		369,013	0.88	166,210	1.33	535,223	0.99
Total		**₩ 41,690,618**	**100.00**	**₩ 12,373,387**	**100.00**	**₩ 54,064,005**	**100.00**

(Dec 31, 2012)

Detail		Confirmed guarantees		Unconfirmed guarantees		Total	
		Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Asia	Korea	₩ 35,083,134	89.43	₩ 11,601,958	83.75	₩ 46,685,092	87.95
	India	288,093	0.73	43,725	0.32	331,818	0.63
	Vietnam	71,284	0.18	228,861	1.65	300,145	0.57
	Singapore	118,735	0.30	179,031	1.29	297,766	0.56
	Saudi Arabia	348,529	0.89	481,832	3.48	830,361	1.56
	Others	973,759	2.49	941,727	6.79	1,915,486	3.61
		36,883,534	94.02	13,477,134	97.28	50,360,668	94.88
Europe	France	194,956	0.50	62,523	0.45	257,479	0.49
	Others	114,255	0.29	102,161	0.74	216,416	0.41
		309,211	0.79	164,684	1.19	473,895	0.90
America	U.S.A.	1,180,868	3.01	–	–	1,180,868	2.22
	Mexico	278,245	0.71	40,739	0.29	318,984	0.60
	Others	333,218	0.85	2,393	0.02	335,611	0.63
		1,792,331	4.57	43,132	0.31	1,835,463	3.45
Africa	Madagascar	208,865	0.53	–	–	208,865	0.39
	Egypt	24,100	0.06	168,698	1.22	192,798	0.36
	Others	11,900	0.03	–	–	11,900	0.02
		244,865	0.62	168,698	1.22	413,563	0.77
Total		**₩ 39,229,941**	**100.00**	**₩ 13,853,648**	**100.00**	**₩ 53,083,589**	**100.00**

(Jan 1, 2012)

Detail		Confirmed guarantees		Unconfirmed guarantees		Total	
		Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Asia	Korea	₩ 39,308,713	92.83	₩ 17,514,111	92.32	₩ 56,822,824	92.67
	India	334,515	0.79	47,080	0.25	381,595	0.62
	Vietnam	35,582	0.08	287,342	1.51	322,924	0.53
	Saudi Arabia	173,414	0.41	133,576	0.70	306,990	0.50
	Others	698,442	1.65	452,903	2.39	1,151,345	1.88
		40,550,666	95.76	18,435,012	97.17	58,985,678	96.20
Europe	France	235,720	0.56	67,321	0.36	303,041	0.49
	Others	80,116	0.19	137,012	0.72	217,128	0.35
		315,836	0.75	204,333	1.08	520,169	0.85
America	U.S.A.	788,018	1.86	3,862	0.02	791,880	1.29
	Mexico	252,273	0.6	96,607	0.51	348,880	0.57
	Others	196,809	0.46	24,670	0.13	221,479	0.36
		1,237,100	2.92	125,139	0.66	1,362,239	2.22
Africa	Madagascar	224,894	0.54	–	–	224,894	0.37
	Others	14,416	0.03	207,594	1.09	222,010	0.36
		239,310	0.57	207,594	1.09	446,904	0.73
Total		**₩ 42,342,912**	**100.00**	**₩ 18,972,078**	**100.00**	**₩ 61,314,990**	**100.00**

(4) Details of guarantees classified by industry as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K–IFRS) are as follows (Korean won in millions):

(Dec 31, 2013)

	Confirmed guarantees		Unconfirmed guarantees		Total	
Detail	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Manufacturing	₩ 20,828,364	49.96	₩ 10,963,380	88.60	₩ 31,791,744	58.80
Transportation	203,088	0.49	2,358	0.02	205,446	0.38
Finance	1,531,697	3.67	45,636	0.37	1,577,333	2.92
Wholesale and retail	917,844	2.20	3,692	0.03	921,536	1.70
Construction	13,524,300	32.44	342,119	2.76	13,866,419	25.65
Public and others	4,685,325	11.24	1,016,202	8.22	5,701,527	10.55
Total	**₩ 41,690,618**	**100.00**	**₩ 12,373,387**	**100.00**	**₩ 54,064,005**	**100.00**

(Dec 31, 2012)

	Confirmed guarantees		Unconfirmed guarantees		Total	
Detail	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Manufacturing	₩ 20,492,704	52.24	₩ 11,726,853	84.65	₩ 32,219,558	60.70
Transportation	221,794	0.57	2,393	0.02	224,186	0.42
Finance	1,340,894	3.42	102,303	0.74	1,443,197	2.72
Wholesale and retail	852,498	2.17	31,917	0.23	884,415	1.67
Construction	11,850,558	30.21	723,239	5.22	12,573,797	23.69
Public and others	4,471,493	11.39	1,266,943	9.14	5,738,436	10.80
Total	**₩ 39,229,941**	**100.00**	**₩ 13,853,648**	**100.00**	**₩ 53,083,589**	**100.00**

(Jan 1, 2012)

	Confirmed guarantees		Unconfirmed guarantees		Total	
Detail	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Manufacturing	₩ 27,099,318	64.00	₩ 17,315,554	91.27	₩ 44,414,872	72.44
Transportation	236,434	0.56	24,671	0.13	261,105	0.43
Finance	981,451	2.32	141,173	0.74	1,122,624	1.83
Wholesale and retail	931,874	2.20	7,322	0.04	939,196	1.53
Construction	9,141,779	21.59	852,641	4.49	9,994,420	16.30
Public and others	3,952,057	9.33	630,716	3.33	4,582,773	7.47
Total	**₩ 42,342,913**	**100.00**	**₩ 18,972,077**	**100.00**	**₩ 61,314,990**	**100.00**

(5) Global Medium–Term Note Program ("GMTN") and Commercial Paper ("CP") programs

The Consolidated Entity 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 and 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;
7) Established on January 17, 2011, Uridashi Shelf Registration to issue Uridashi bond with an issuance limit of USD 5 billion;

(6) Litigations

As of December 31, 2013, seven lawsuits (aggregated litigation value: ₩76,525 million) were filed by the Consolidated Entity and four pending litigations as a defendant were filed (aggregated litigation value: ₩127,741 million). The Consolidated Entity's management is unable to estimate the impact of these lawsuits, therefore the Consolidated Entity's financial position and results of operation do not include the potential impact from these lawsuits.

(7) Written–off loans

The Consolidated Entity 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, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS) are ₩555,946 million and ₩489,039 million, ₩351,429 million, respectively.

(8) Ordinary wages

The Supreme Court has handed down sentences in ordinary wages. The Consolidated Entity reviewed the effect by the Supreme Court ruling on the Consolidated Entity's financial statements. And the Consolidated Entity determined not to recognize provisions, because the Consolidated Entity anticipates that the outflows of resources are unlikely to be realized. Effects to the financial statements of the Consolidated Entity with regard to the judgment of the court for the lawsuit are not disclosed in the notes to the financial statements in accordance with the paragraph 92 of K-IFRS 1037 *Provisions, Contingent Liabilities and Contingent Assets*.

38. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties consist of entities related to the Consolidated Entity, post-employment benefits, a key management personnel and a close member of that person's family, an entity controlled or jointly controlled and an entity influenced significantly.

(1) Details of related parties as of December 31, 2013 are as follows:

Detail	Relationship	Percentage
Parent:		
Korean government	Parent	67.97%
Associates:		
SUNGDONG Shipbuilding & Marine Engineering Co., Ltd.	Associate	33.99%
Korea Asset Management Corporation,	Associate	25.86%
Credit Guarantee and Investment Fund	Associate	14.28%

(2) Receivables and payables between the Consolidated Entity and related parties

Receivables and payables between the Consolidated Entity and related parties as of December 31, 2013 are as follows (Korean won in millions):

There were no receivables and payables between the Consolidated Entity and related parties as of December 31, 2012 and the date of transition to IFRS (January 1, 2012).

(Dec 31, 2013)

Detail	Receivables	Allowance	Payables
Associate:			
SUNGDONG Shipbuilding & Marine Engineering Co., Ltd.	₩ 1,809,458	₩ 1,006,104	₩ -

Receivables and payables between the Consolidated Entity and related parties as of December 31, 2013 are as follows (Korean won in millions):

There were no receivables and payables between the Consolidated Entity and related parties as of December 31, 2012 and the date of transition to IFRS (January 1, 2012).

(Dec 31, 2013)

Detail	Confirmed guarantees	Unconfirmed guarantees	Commitments
Associate:			
SUNGDONG Shipbuilding & Marine Engineering Co., Ltd.	₩ 260,838	₩ 946,600	₩ 30,694

(3) Profit and loss transactions between the Consolidated Entity and related parties

Profit and loss transactions between the Consolidated Entity and related parties for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

	2013			2012		
Detail	Revenue	Bad debt expenses	Expenses	Revenue	Bad debt expenses	Expenses
Associate						
SUNGDONG Shipbuilding & Marine Engineering Co.,LTD.	₩ 82,201	₩ 26,484	₩ –	₩ –	₩ –	₩ –

(4) Money dealings between the Consolidated Entity and related parties

Money dealings between the Consolidated Entity and related parties for the year ended December 31, 2013 are as follows (Korean won in millions):

There were no money dealing between the Consolidated Entity and related parties for the year ended December 31, 2012.

(2013)

	Financing transaction	
Detail	Loan	Collection
Associate		
SUNGDONG Shipbuilding & Marine Engineering Co., Ltd.	₩ –	₩ 10,000

(5) Details of compensation to key management for the years ended December 31, 2013 and 2012 are as follows (Korean won in millions):

Detail	2013	2012
Salaries	₩ 3,628	₩ 2,782
Severance and retirement benefits	154	145
Total	₩ 3,782	₩ 2,927

39. TRANSITION EFFECTS OF KOREAN INTERNATIONAL FINANCIAL REPORTING STANDARDS ("K-IFRS")

In connection with adopting K-IFRS in 2013, the significant differences and the adjustments due to the adoption of K-IFRS are as follows:

(1) Significant differences between K–IFRS and K–GAAP

Classification		K–IFRS	K–GAAP (*)
First time adoption of K–IFRS	Fair value as deemed cost and revaluation cost	Fair value of lands and buildings as of the transition date is to be regarded as net book value.	Not applicable
	Accumulated foreign currency translation	Accumulated foreign currency translation adjustments as of the transition date are reset to 'zero'	Not applicable
	Fair value evaluation of financial assets and liabilities at the acquisition date	Prospective approach is applied to the accounts which are newly categorized into financial assets and liabilities carried at fair value, as of the transition date.	Not applicable
	Derecognition of financial assets and liabilities	K–IFRS 1039 'Financial instruments: Recognition and derecognition' is applied prospectively as of the transition date.	Not applicable
	Designation of AFS financial assets/liabilities at FVTPL	Designation of AFS financial assets or financial assets/liabilities at fair value through profit or loss (FVTPL) is principally allowed at the acquisition date, with an exception of one time designation for existing financial assets/liabilities at the transition date.	Not applicable
	Decommissioning and restoration liabilities included in the cost of tangible assets	Changes in a decommissioning and restoration liability at the transition date are added to or deducted from the cost of tangible assets, by discounting the liability using the discount rate at the date of acquisition.	Not applicable
	Lease	K–IFRS 1017 'Lease' applied to arrangements existing at the date of transition to K–IFRS but were not retrospectively applied.	Not applicable
	Investment in subsidiaries, jointly controlled corporations and related–party entities	When preparing separate financial statements in accordance with K–IFRS 1027 *'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.	Not applicable

Classification	K–IFRS	K–GAAP (*)
Allowance for loan losses	If there is objective evidence that an impairment loss on loans at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. An entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If an entity 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.	The calculation of allowances for loan losses is based on the estimates made through reasonable and objective method for receivables of uncertain collectability. The higher amount estimated of two methods below: i) allowances for loan losses based on historical loss data ii) allowances provided in accordance with minimum percentage rate in its respective asset quality category as prescribed by the Regulation on Supervision of Banking Business
Financial guarantee	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 provision for guarantee loss or amortized cost.	Not applicable
Classification of financial instruments	Financial assets are classified into financial assets at FVTPL, AFS financial assets, held–to–maturity securities and loan and receivables and financial liabilities consist of financial liabilities at FVTPL and other liabilities.	Assets are divided into cash and due from financial institutions, investment securities, trade receivables, derivative assets and securities consisting of trading, AFS and held–to–maturity securities. Liabilities are classified into deposits, borrowings, debenture and others.
Measurement of financial instruments	Financial assets/liabilities at FVTPL and AFS financial assets are required to be recorded at fair value with credit risks reflected. Held–to–maturity financial assets and loan and receivables are to be measured at amortized cost with the effective interest rate method applied.	Certain financial instruments such as trading securities, AFS securities and derivatives, are recorded at fair value, and the reflection of credit risk is not explicitly mentioned.
Unused commitments/guarantees	The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date. The risks and uncertainties that inevitably surround many events and circumstances shall be taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation. Evaluation models using various risk factors such as CCF (Credit Convert Factor), PD (Probability of Default) and LGD (Loss Given Default) are employed.	Reserve more than minimum funding rate of asset quality in accordance with rules reflecting a result of asset quality classification and credit conversion factor.
Revenue recognition	All direct loan origination fees are deferred and recognized through effective interest rate method.	Loan origination costs that have future economic benefits and are identifiable by transactions are deferred and amortized using effective interest rate method.

Classification	K–IFRS	K–GAAP (*)
Application of hedge accounting	Short–cut method is not applicable. All the changes of fair values in hedged items are measured in practice.	Short–cut method is applicable when some conditions are met.
Changes in depreciation methods.	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.	Once depreciation method is determined, it should be consistently applied to all of newly acquired and existing assets.
Membership	Classified into intangible asset with indefinite useful lives.	Classified into sundry assets in other assets.
Measurement of defined benefit obligation	Both the defined benefit and defined contribution plans are provided and the amounts of defined benefit obligation are computed based on actuarial assumptions.	Provisions for retirement benefits accrued equal to the amounts to be paid at the end of period, assuming that the all entitled employees with a service year more than a year would retire at once. Retirement benefit expenses incur at the point when the payment obligation is fixed.
Fair value adjustments of financial instruments	When derivatives are exposed to credit risk, credit risk of itself or of counterparty is evaluated according to risk position.	Not applicable
Impairment recognition of securities	Along with an objective evidence of impairment a significant or prolonged decline in the fair value of an equity security below its cost is also objective evidence of impairment. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as AFS shall not be reversed through profit or loss.	When there is an objective evidence of impairment, impairment loss shall be recognized. If, in a subsequent period, the amount of the impairment loss in AFS security at fair value is related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss can be reversed.
Liability/equity classification	Issuer classifies its financial instruments or components of financial instruments as either financial liabilities or equity instruments at the initial recognition, considering the substance of the contractual arrangement and definition of financial assets and equity instruments.	Classification according to relevant legal framework such as business law.
Classification of capital	Classification of capital is pursuant to the substance of the contractual arrangement over its legal form.	Capital includes the legal amount paid by shareholders (paid–in capital).
Foreign currency translation	Closing exchange rates at year–end for translation of assets or liabilities denominated in foreign currencies, and closing exchange rates at acquisition date for shareholders' equity should be applied. For other comprehensive income items, average exchange rates for the periods concerned should be used.	When applying the accounting standards for the banking industry, closing rates are used in translating the statement of financial position and the statement of income.

(*) K-GAAP were generally accepted accounting principles in Korea before adoption of K-IFRS.

(2) Changes in consolidation scope

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

(3) The effects on the Consolidated Entity's financial position and results of operation

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

1) Summary of the effects on the consolidated statement of financial position at January 1, 2012 (date of transition, Korean won in millions)

	K-GAAP	Transition effects	K-IFRS	Ref.
Cash and due from financial institutions	₩ 2,772,960	₩ (373,082)	₩ 2,399,878	A
Financial assets at fair value through profit or loss	2,833	573,758	576,591	B
Hedging derivative assets	1,194,448	(200,215)	994,233	C
Loans	46,306,419	225,948	46,532,367	D
Financial investments	4,144,050	(115,482)	4,028,568	E
Investments in associates	115,486	–	115,486	F
Tangible assets, net	34,308	184,605	218,913	G
Intangible assets, net	6,833	6,110	12,943	H
Deferred tax assets	513,115	(157,914)	355,201	I
Other assets	488,062	185,500	673,562	J
Total assets	₩ 55,578,514	₩ 329,228	₩ 55,907,742	
Financial liabilities at fair value through profit or loss	₩ 12,549	₩ 188,251	₩ 200,800	K
Hedging derivative liabilities	981,085	(174,944)	806,141	L
Borrowings	5,799,691	(897)	5,798,794	M
Debentures	39,197,801	170,610	39,368,411	N
Provisions	920,113	(432,561)	487,552	O
Retirement benefit obligation, net	30,126	23,774	53,900	P
Current tax liabilities	91,882	(9,206)	82,676	Q
Other liabilities	1,032,253	20,473	1,052,726	R
Total assets	₩ 48,065,500	₩ (214,500)	₩ 47,851,000	
Equity attributable to the owners of the Bank				
Capital stock	₩ 6,258,755	₩ –	₩ 6,258,755	
Other reserves	(50,338)	272,305	221,967	S
Retained earnings	1,300,980	271,423	1,572,403	T
Non-controlling interests	3,617	–	3,617	U
Total equity	₩ 7,513,014	₩ 543,728	₩ 8,056,742	
Total liabilities and equity	**₩ 55,578,514**	**₩ 329,228**	**₩ 55,907,742**	

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 (Korean won in millions):

<FINANCIAL POSITION>

	K-GAAP	Transition effects	K-IFRS	Ref.
Cash and due from financial institutions	₩ 2,185,466	₩ (216,500)	₩ 1,968,966	A
Financial assets at fair value through profit or loss	7,736	251,672	259,408	B
Hedging derivative assets	908,445	(35,172)	873,273	C
Loans	46,042,339	(175,195)	45,867,144	D
Financial investments	4,152,079	4	4,152,083	E
Investments in associates	498,007	1,018	499,025	F
Tangible assets, net	42,938	185,689	228,627	G
Intangible assets, net	9,929	5,989	15,918	H
Deferred tax assets	538,972	(142,781)	396,191	I
Other assets	592,008	108,810	700,818	J
Total assets	₩ 54,977,919	₩ (16,466)	₩ 54,961,453	
Financial liabilities at fair value through profit or loss	₩ 12,314	₩ 255,606	₩ 267,920	K
Hedging derivative liabilities	1,164,104	(245,627)	918,477	L
Borrowings	3,153,265	(1,367)	3,151,898	M
Debentures	40,014,964	152,211	40,167,175	N
Provisions	1,020,331	(795,640)	224,691	O
Retirement benefit obligation, net	3,498	29,366	32,864	P
Current tax liabilities	78,369	-	78,369	Q
Other liabilities	960,997	81,154	1,042,151	R
Total liabilities	₩ 46,407,842	₩ (524,297)	₩ 45,883,545	
Equity attributable to the owners of the Bank				
Capital stock	₩ 7,138,055	₩ -	₩ 7,138,055	
Other reserves	11,533	(4,367)	7,166	S
Retained earnings	1,417,139	512,196	1,929,335	T
Non-controlling interests	3,350	2	3,352	U
Total equity	₩ 8,570,077	₩ 507,831	₩ 9,077,908	
Total liabilities and equity	**₩ 54,977,919**	**₩ (16,466)**	**₩ 54,961,453**	

<RESULTS OF OPERATION>

	K-GAAP		Transition effects		K-IFRS		Ref.
Net interest income:							
Interest income	₩	1,800,270	₩	34,589	₩	1,834,859	A
Interest expenses		1,433,578		57,621		1,491,199	B
		366,692		(23,032)		343,660	
Net commission income:							
Commission income		301,763		(7,352)		294,411	C
Commission expenses		6,439		(1,262)		5,177	D
		295,324		(6,090)		289,234	
Dividend income		20,998		(2,539)		18,459	
Gain (loss) on financial assets at fair value through profit or loss		(883,057)		816,183		(66,874)	E
Gain (loss) on hedging derivative assets		(117,779)		53,230		(64,549)	F
Gain (loss) on financial investments		(9,235)		394,222		384,987	G
Gain (loss) on foreign exchange transaction		1,234,929		(987,174)		247,755	H
Other net operating income (expenses)		57,048		(155,936)		(98,888)	I
Impairment loss on credit		(603,627)		220,583		(383,044)	J
General and administrative expenses		(169,330)		(3,130)		(172,460)	K
Total operating income		191,963		306,317		498,280	
NON-OPERATING INCOME (EXPENSES):							L
Gain (loss) on investments in associates		8,750		1,079		9,829	
Net non-operating income (expenses)		(9,946)		2,906		(7,040)	
		(1,196)		3,985		2,789	
INCOME BEFORE INCOME TAX		190,767		310,302		501,069	
INCOME TAX EXPENSES		(40,676)		(69,559)		(110,235)	M
NET INCOME FOR THE PERIOD		150,091		240,743		390,834	
OTHER COMPREHENSIVE INCOME FOR THE PERIOD							N
Items not reclassified subsequently to profit or loss							
Remeasurement of net defined benefit liability		-		(1,631)		(1,631)	
Items reclassified subsequently to profit or loss							
Gain (loss) on valuation of AFS financial assets		64,610		(258,770)		(194,160)	
Cash flow hedging gains or losses		(3,210)		-		(3,210)	
Gain (loss) on valuation of investments in associates by equity method		471		(6,294)		(5,823)	
Gain (loss) on overseas business translation		-		(10,447)		(10,447)	
TOTAL COMPREHENSIVE INCOME	₩	211,962	₩	(36,399)	₩	175,563	

3) Details of reconciliation

<FINANCIAL POSITION>

A. Cash and due from financial institutions

Certain beneficiary certificates included in cash and cash equivalents under K-GAAP are reclassified into financial asset at FVTPL under K-IFRS.

B. Financial assets at FVTPL

Certain beneficiary certificates included in cash and cash equivalents and derivatives held for trading under K-GAAP are transferred to financial assets at FVTPL under K-IFRS.

C. Hedging derivative assets

Hedging relationship under K-GAAP has been canceled.

D. Loans

Changes in net assets are attributable to the different accounting treatments in deferred loan origination fees and amortization method using the effective interest rate, combined with different set-out scope of provision for receivables and its calculation methodology. Fair value evaluation of hedged items, loans, results in changes in net assets.

E. Financial investments

Difference in accounting treatments on impairment (reversal) of AFS financial assets results in changes in net assets.

F. Investments in associates

On the consolidated financial statement equity method of accounting was not applied under K-IFRS while it was applied under K-GAAP.

G. Tangible assets

Acquisition cost adjustment due to the revaluation of fixed assets results in the net asset value change.

H. Intangible assets

Among the deposits recognized under K-GAAP, membership deposit with the expected future economic benefits is reclassified as intangible asset under K-IFRS.

I. Deferred tax assets

Changes in deferral amount arising from fair value evaluation of financial asset/liability and different methodology of impairment assessment, along with different depreciation expense and denial of provision liability have changed the amount of deferred tax asset under K-IFRS.

J. Other assets

Accrued income and present value discount caused by financial guarantees results in changes in net assets.

K. Financial liabilities at FVTPL

Derivatives held for trading under K-GAAP are transferred to financial liabilities at FVTPL under K-IFRS.

L. Hedging derivative liabilities
Hedging relationship under K-GAAP has been canceled.

M. Borrowings
Changes in net assets are attributable to the application of the effective interest rate method in the calculation of interest expense for borrowings and net book value adjustments.

N. Debentures
Changes in net assets are attributable to the difference in fair value measurement of the corporate bonds subject to the hedge accounting and difference in amortization cost based on the effective interest rate method.

O. Provision
Difference in calculation methodology of provision for unused commitments, guarantees and other liabilities results in changes in net assets.

P. Defined benefit obligation, net
Provisions for retirement benefits accrued under K-GAAP have been changed based on actuarial assumptions.

Q. Current tax liabilities
Some local taxes are reclassified as not forming current tax liabilities.

R. Other liabilities
Accrued expenses and present value discount caused by financial guarantees results in changes in net assets.

S. Reserves
Adjustment difference in recognition of impairment losses on AFS securities and changes in remeasurement elements of defined benefit plan results in changes in net assets.

T. Retained earnings
Recognition of impairment losses on AFS securities, adoption of deemed cost to securities using the equity method, difference in fair value evaluation of hedged items, accrued interest expense and depreciation expense, along with revaluation of tangible assets and profit/loss adjustment in association with financial guarantee contracts caused a change in retained earnings.

U. Non-controlling interests
Adjustment in association with reserves and retained earnings caused a change in non-controlling interests.

<OPERATIONAL RESULTS>

A. Interest income

The amount of interest income changes due to the difference in amortized amount of deferred origination fees and costs of loans and receivables using the effective rate method, interest income recognized for impaired loans, and adjustments to accrued interest income for impaired loans. In addition, the change of time value in account receivables associated with financial guarantee, transfer of interest income related to credit card points to unearned revenue, recognition of present value discounts amounting to the substantial portion of prepaid rental expenses and its amortization cost using the effective rate method result in changes in interest income.

B. Interest expenses

Difference in amortized interest expenses with regards to financial liabilities and exchange rate applied when translating interest expense of foreign currency denominated financial liabilities results in a change in interest expense.

C. Commission income

Commission income changes due to the adjusted deferred origination fees and costs related to loans and receivables and the offset amount with financial guarantee assets when commissions related to financial guarantee contracts are received.

D. Commission expenses

Commission expenses changes due to the adjusted deferred origination fees and costs related to loans and receivables.

E. Dividends income

Dividends income from associates are reclassified as share of profits of associates.

F. Gain (loss) on financial assets at FVTPL

Different fair valuation amounts in derivatives held for trading and cancellation of hedging result in changes in profit/loss on financial assets.

G. Gain (loss) on hedging derivative assets

Different fair value evaluation amounts in derivatives held for hedging and cancellation of hedging result in changes in profit/loss on hedging derivative assets.

H. Gain (loss) on financial investments

Profit or loss on AFS securities has been changed, responding to the recognition method of impairment losses on AFS securities.

I. Gain (loss) on foreign exchange transaction

Gain or loss on foreign currency transaction has been changed due to the different exchange rates applied at the transaction date.

J. Other net operating income (expenses)

Changes in income tax expense are attributable to the changes in the hedged item and the valuation of fair value hedged item.

K. Impairment loss on credit

Impairment loss on credit is caused by differences in the scope and calculation methodology of provision for loans and receivables, and differences in the calculation of unused commitment and payment guarantee.

L. General and administrative expenses

Changes in general and administrative expenses are attributable to changes in administrative expenses contributed by changed vacation benefits and defined benefit retirement expense.

M. Non-operating income (expenses)

Changes in non-operating income and expenses are attributable to changes in equity method and depreciation.

N. Income tax expenses

Changes in income tax expenses are attributable to the changes in deferred tax assets and liabilities.

O. Other comprehensive income

Differences in valuation amounts of AFS securities, gain on valuation of investment stock using the equity method and remeasurement elements of net defined benefit liability made a change in the amount of other comprehensive income.

4) Explanation of material adjustments to the consolidated statements of cash flows for the year ended December 31, 2012.

According to K-IFRS, dividends received, interest received, interest paid and income tax paid which were not presented separately under K-GAAP are now presented separately in the consolidated statements of cash flows.

Interest paid, interest received and dividends received were classified as operating cash flows in accordance with K-GAAP. But, in accordance with K-IFRS, interest paid are reclassified as financing cash flows, and interest received and dividends received are reclassified as investing cash flows. The effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency is presented separately from cash flows from operating, investing and financing activities.

Except for the aforementioned items, there are no significant differences between the consolidated statements of cash flows prepared according to K-IFRS and K-GAAP.

Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

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

We have audited the accompanying separate financial statements of the Export-Import Bank of Korea (the "Bank"). The financial statements consist of the separate statements of financial position as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS), respectively, and the related separate statements of comprehensive income, separate statements of changes in shareholders' equity and separate statements of cash flows, all expressed in Korean won, for the years then ended December 31, 2013 and 2012, respectively. The Bank's management is responsible for the preparation and fair presentation of the separate financial statements and our responsibility is to express an opinion on these separate 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 separate 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 separate financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2013, December 31, 2012 and January 1, 2012 (the date of transition to K-IFRS), respectively, and the results of its operations and its cash flows for the years then ended December 31, 2013 and 2012, respectively, in conformity with Korean International Financial Standards. ("K-IFRS")

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying separate financial statements are not intended to present the financial position, results of operations 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 financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying separate financial statements are for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice.

Deloitte Anjin LLC

March 19, 2014

Notice to Readers

This report is effective as of March 19, 2014, the independent auditors' report date. Certain subsequent events or circumstances may have occurred between this independent auditors' report date and the time the independent auditors' report is read. Such events or circumstances could significantly affect the separate financial statements and may result in modifications to the independent auditors' report.

Separate Statements of Financial Position

AS OF DECEMBER 31, 2013, DECEMBER 31, 2012 AND JANUARY 1, 2012 (the date of transition to K-IFRS)

Korean won in millions

	Dec 31, 2013	Dec 31, 2012	Jan 1, 2012
ASSETS			
Cash and due from financial institutions	₩ 2,214,755	₩ 1,917,583	₩ 2,334,643
Financial assets at fair value through profit or loss	855,248	261,525	578,328
Hedging derivative assets	378,324	873,273	994,233
Loans	51,169,874	45,685,886	46,351,208
Financial investments	4,073,979	3,864,932	3,700,301
Investments in associates and subsidiaries	629,160	629,150	248,630
Tangible assets, net	236,519	228,079	218,284
Intangible assets, net	17,428	15,271	12,189
Deferred tax assets	511,601	393,704	350,912
Other assets	846,350	692,612	665,967
	₩ 60,933,238	₩ 54,562,015	₩ 55,454,695
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES:			
Financial liabilities at fair value through profit or loss	₩ 212,888	₩ 258,531	₩ 186,934
Hedging derivative liabilities	1,799,713	918,128	805,618
Borrowings	5,488,545	2,755,991	5,351,040
Debentures	42,709,823	40,172,531	39,374,177
Provisions	245,355	224,634	487,488
Retirement benefit obligation, net	27,868	32,743	53,793
Current tax liabilities	99,139	77,231	81,919
Other liabilities	1,099,767	1,034,488	1,041,259
	₩ 51,683,098	₩ 45,474,277	₩ 47,382,228
SHAREHOLDERS' EQUITY:			
Capital stock	₩ 7,238,055	₩ 7,138,055	₩ 6,258,755
Other reserves	57,757	20,800	221,336
Retained earnings (Regulatory reserve for bad loans as of December 31, 2013: ₩514,785 million)	1,954,328	1,928,883	1,592,376
	9,250,140	9,087,738	8,072,467
	₩ 60,933,238	₩ 54,562,015	₩ 55,454,695

Separate Statements of Comprehensive Income

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

Korean won in millions

	Year ended December 31, 2013	Year ended December 31, 2012
OPERATING INCOME:		
Net interest income:		
Interest income	₩ 1,698,284	₩ 1,794,273
Interest expenses	(1,335,696)	(1,475,724)
	362,588	318,549
Net commission income:		
Commission income	342,622	293,187
Commission expenses	(3,086)	(4,710)
	339,536	288,477
Dividend income	13,977	18,459
Gain (loss) on financial assets at fair value through profit or loss	169,565	(69,406)
Gain (loss) on hedging derivative assets	(1,859,253)	(64,693)
Gain (loss) on financial investments	(389)	383,344
Gain (loss) on foreign exchange transaction	1,189,110	244,855
Other net operating income (expenses)	659,072	(98,858)
Impairment loss on credit	(622,596)	(378,627)
General and administrative expenses	(179,920)	(163,750)
Total operating income	**71,690**	**478,350**

(Continued)

Separate Statements of Comprehensive Income

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

Korean won in millions

		Year ended December 31, 2013		Year ended December 31, 2012
NON OPERATING INCOME (EXPENSES):				
Gain on investments in associates and subsidiaries	₩	8,018	₩	1,823
Net other non-operating expenses		(6,395)		(6,967)
		1,623		(5,144)
INCOME BEFORE INCOME TAX		73,313		473,206
INCOME TAX EXPENSES		(13,582)		(103,081)
NET INCOME		59,731		370,125
(Adjusted income after reserve for bad loans for year ended December 31, 2013: (−)₩31,227 million)				
OTHER COMPREHENSIVE INCOME(LOSS) FOR THE PERIOD				
Items not reclassified subsequently to profit or loss:		6,458		(1,631)
Remeasurements of net defined benefit liability		8,520		(2,152)
Income tax effect		(2,062)		521
Items reclassified subsequently to profit or loss:		30,499		(198,905)
Valuation on Available-For-Sale ("AFS") securities		37,620		(258,172)
Cash flow hedging gains or losses		2,616		(4,235)
Income tax effect		(9,737)		63,502
TOTAL COMPREHENSIVE INCOME	₩	96,688	₩	169,589

Separate Statements of Changes Shareholders' In Equity

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

Korean won in millions

		Other Reserves				
	Capital stock	Valuation on AFS securities	Cash flow hedging gains or losses	Remeasure–ment of net defined benefit liability	Retained earnings	Total
January 1, 2012	₩ 6,258,755	₩ 221,336	₩ –	₩ –	₩ 1,592,376	₩ 8,072,467
Dividends	–	–	–	–	(33,618)	(33,618)
Increase in capital stock	879,300	–	–	–	–	879,300
Net income	–	–	–	–	370,125	370,125
Loss on valuation of AFS securities	–	(195,695)	–	–	–	(195,695)
Loss on valuation of cash flow hedge	–	–	(3,210)	–	–	(3,210)
Remeasurements of net defined benefit liability				(1,631)		(1,631)
December 31, 2012	**₩ 7,138,055**	**₩ 25,641**	**₩ (3,210)**	**₩ (1,631)**	**₩ 1,928,883**	**₩ 9,087,738**
January 1, 2013	₩ 7,138,055	₩ 25,641	₩ (3,210)	₩ (1,631)	₩ 1,928,883	₩ 9,087,738
Dividends	–	–	–	–	(34,286)	(34,286)
Increase in capital stock	100,000	–	–	–	–	100,000
Net income	–	–	–	–	59,731	59,731
Gain on valuation of AFS securities	–	28,516	–	–	–	28,516
Gain on valuation of cash flow hedge	–	–	1,983	–	–	1,983
Remeasurements of net defined benefit liability	–	–	–	6,458	–	6,458
December 31, 2013	**₩ 7,238,055**	**₩ 54,157**	**₩ (1,227)**	**₩ 4,827**	**₩ 1,954,328**	**₩ 9,250,140**

Separate Statements of Cash Flows

FOR YEARS ENDED DECEMBER 31, 2013 AND 2012

Korean won in millions

	Year ended December 31, 2013	Year ended December 31, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	₩ 59,731	₩ 370,125
Adjustments to reconcile net income to net cash used in operating activities:		
Income tax expense	13,582	103,081
Interest income	(1,698,284)	(1,794,273)
Interest expenses	1,335,696	1,475,724
Dividend income	(13,977)	(18,459)
Loss on trading securities	118	–
Loss on AFS securities	22,397	17,197
Loss on debenture redemption	13	302
Loss on foreign exchange transactions	797,244	847,772
Impairment loss on credit	622,596	378,627
Loss on fair value hedged items	118,706	341,586
Depreciation and amortization	5,158	4,423
Loss on disposals of tangible, intangible and other assets	8	5
Impairment loss on tangible, intangible and other assets	786	31
Loss on valuation of derivative assets	1,944,354	697,619
Retirement benefits	10,325	9,933
Gain on trading securities	(7,065)	(14,359)
Gain on AFS securities	(22,008)	(400,540)
Net increase in reversal of derivatives' credit risk provision	(3,797)	(11,380)
Gain on foreign exchange transactions	(2,100,814)	(1,092,627)
Gain on fair value hedged items	(776,597)	(233,524)
Gain on valuation of derivative assets	(283,310)	(526,937)
Gain on disposals of tangible assets, intangible assets and other assets	(73)	(773)

(Continued)

Korean won in millions

	Year ended December 31, 2013	Year ended December 31, 2012
Changes in assets and liabilities resulting from operations:		
Net decrease (increase) in due from financial institutions	₩ 286,404	₩ (642,113)
Net decrease (increase) in financial assets at fair value through profit or loss	(642,890)	72,004
Net decrease (increase) in hedging derivative assets	204,070	(30)
Net decrease (increase) in loans	(6,837,028)	(1,050,245)
Net decrease (increase) in other assets	(129,749)	199,270
Net increase (decrease) in provisions	(5,144)	47,679
Payment of retirement benefits	(1,536)	(5,278)
Net decrease in other liabilities	(65,397)	(80,579)
Net increase (decrease) in financial liabilities at fair value through profit or loss	23,114	(1,727)
Net increase (decrease) in hedging derivative liabilities	(498,713)	231,281
Payment of income tax	(121,369)	(86,537)
Interest income received	1,662,753	1,718,552
Interest expense paid	(1,335,698)	(1,188,773)
Dividend income received	13,977	18,459
Net cash used in operating activities	(7,422,417)	(614,484)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Disposals of AFS securities and held-to-maturity securities	115,197	460,569
Disposals of tangible assets	97	1,079
Disposals of intangible assets	204	–
Acquisitions of AFS securities and held-to-maturity securities	(221,551)	–
Net increase in investments in associates	(10)	–
Acquisitions of tangible assets	(11,891)	(12,933)
Acquisitions of intangible assets	(4,885)	(4,710)
Net cash (used in) provided by investing activities	(122,839)	444,005

(Continued)

Separate Statements of Cash Flows

FOR YEARS ENDED DECEMBER 31, 2013 AND 2012

Korean won in millions

	Year ended December 31, 2013	Year ended December 31, 2012
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in call money	₩ 2,368	₩ –
Increase in borrowings	8,964,764	394,354
Increase in debentures	19,124,877	15,219,557
Increase in capital stock	100,000	–
Decrease in call money	–	(68,834)
Decrease in borrowings	(6,061,396)	(2,817,567)
Decrease in debentures	(14,003,712)	(13,617,923)
Payment of dividends	(34,286)	(33,617)
Net cash provided by (used in) financing activities	8,092,615	(924,030)
NET INCREASE (DECREASE) IN DUE FROM FINANCIAL INSTITUTIONS	547,359	(1,094,509)
DUE FROM FINANCIAL INSTITUTIONS, BEGINNING OF THE YEAR	848,451	1,907,625
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON THE BALANCE OF DUE FROM FINANCIAL INSTITUTIONS IN FOREIGN CURRENCIES	36,217	35,335
DUE FROM FINANCIAL INSTITUTIONS, END OF THE YEAR	₩ 1,432,027	₩ 848,451

Korea Eximbank Operations

FINANCING SERVICES

1. Export Financing

- Buyer's Credit (Export Financing for Foreign Entities)
  - Direct Loans
  - Interbank Export Loans
  - Untied Two-step Loans
- Export Performance-based Loans
  - Comprehensive Export Loans for SMEs
- Project-based Loans
  - Special Credit Loans for SMEs
  - Short-term Export Loans
  - Green Financing
  - New Growth Industry Financing
  - Export Loans for Facility Expansion & Enlargement
  - Export Loans for R&D
  - Export Loans for Overseas Market Development
- Supplier's Credit
  - Pre-shipment Loans

2. Trade Financing

- Export Factoring
- Forfaiting
- L/C Confirmation Facilities
- Rediscount on Trade Bills
- Trade Finance Refinancing

3. Guarantees

- Financial Guarantees
- Project-related Guarantees

4. Bond Support

5. Import Financing

6. Overseas Investment Financing and Natural Resources Financing

- Overseas Investment Loans
- Overseas Project Loans
- Overseas Business Loans
- Natural Resources Development Loans
- M&A Financing

7. Environmental & Technical Due Diligence

EDCF SERVICES

- Development Project Loans
- Equipment / Commodity Loans
- Public-Private Partnership Loans
- Two Step Loans
- Commodity Loans
- Guarantee Program

IKCF SERVICES

- Aid
- Loans
- Insurance Program

NON-FINANCIAL SERVICES

- Financial Advisory and Structuring Services
- Country & Industry Information Services

Organization Chart

CHAIRMAN & PRESIDENT

DEPUTY PRESIDENT

AUDITOR

PLANNING & COORDINATION GROUP
- BUSINESS COORDINATION DEPARTMENT
- PLANNING DEPARTMENT
- FINANCIAL ADVISORY & STRUCTURING DEPARTMENT
- ENGINEERING & ENVIRONMENT ADVISORY OFFICE
- LEGAL & COMPLIANCE OFFICE

FUTURE INDUSTRY FINANCE GROUP
- FUTURE INDUSTRY FINANCE DEPARTMENT
- POWER INDUSTRY FINANCE DEPARTMENT
  - NUCLEAR POWER PLANT FINANCE OFFICE
- PETROCHEMICALS & REFINERY FINANCE DEPARTMENT
- INFRASTRUCTURE FINANCE DEPARTMENT

EXPORT & INVESTMENT FINANCE GROUP
- SHIP & OFFSHORE FINANCE DEPARTMENT
  - SME SHIP FINANCE OFFICE
- OVERSEAS INVESTMENT FINANCE DEPARTMENT
- NATURAL RESOURCES FINANCE DEPARTMENT
- INTERBANK EXPORT FINANCE DEPARTMENT

SME & TRADE FINANCE GROUP
- SME SUPPORT DEPARTMENT
- SME FINANCE DEPARTMENT
- STRUCTURED TRADE FINANCE DEPARTMENT
- CORPORATE RESTRUCTURING OFFICE

TREASURY & INTERNATIONAL RELATIONS GROUP
- TREASURY DEPARTMENT
- INTERNATIONAL FINANCE DEPARTMENT
- INTERNATIONAL RELATIONS DEPARTMENT

EDCF COORDINATION GROUP
- EDCF PLANNING DEPARTMENT
- EDCF OPERATIONS SERVICES & EVALUATION DEPARTMENT

EDCF OPERATIONS GROUP
- EDCF ASIA DEPARTMENT
- EDCF LATIN AMERICA & AFRICA DEPARTMENT

INTER-KOREAN COOPERATION FUND GROUP
- INTER-KOREAN COOPERATION FUND PLANNING DEPARTMENT
- INTER-KOREAN COOPERATION FUND OPERATIONS DEPARTMENT
- INTER-KOREAN HUMANITARIAN COOPERATION OFFICE

- OVERSEAS ECONOMIC RESEARCH INSTITUTE
  - COUNTRY RESEARCH & RISK EVALUATION OFFICE
  - INDUSTRY AND OVERSEAS INVESTMENT RESEARCH OFFICE
- SECRETARY'S OFFICE
- HUMAN RESOURCES DEPARTMENT
- RISK MANAGEMENT DEPARTMENT
- CREDIT RATING OFFICE
- INFORMATION SYSTEMS DEPARTMENT
  - INFORMATION SYSTEMS DEVELOPMENT OFFICE
- PUBLIC RELATIONS OFFICE
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