

Investor Q&A

Date	October 30, 2023
Investor	Bank / Europe
Q&As	<p>Q1) Regarding Standalone Credit Assessment by Rating Agencies, could KEXIM elaborate more on why KEXIM is exempt?</p> <p>A1) According to Article 37 of the KEXIM Act, in case KEXIM suffers any loss beyond reserves, the government must step in and make up for the net loss. This means that Korean government takes full responsibility if KEXIM suffers financial difficulties. Therefore, rating agencies do not evaluate KEXIM's standalone credit rating, but evaluate it to be the same as the Korean government's credit rating. Also, closely related to the Korean government policy in terms of overseas business and exports, KEXIM's mandate from the government is clear. Based on the close linkage between KEXIM and the government, the credit rating agencies doesn't give KEXIM a standalone rating. And, from the fact that KEXIM is receiving continuous capital injection from the government, credit rating agencies do not see any reason to give KEXIM a standalone rating.</p> <p>Q2) KEXIM does not have much 10-year or +10-year bonds from 2017 to 2020. 10-year and +10-year bonds appear during 2021 to 2023. What is the reason behind this, investor related or market related?</p> <p>A2) KEXIM's tenor selection fully depends on the market situation and investor's appetite. From 2020/2021, KEXIM had an exceptionally lower interest rate environment and investors tended to extend their duration further out the curve so KEXIM had issued a 20-year bond for the first time in 2021. Even though the investors expected the interest rate to pick up, they kept having duration in KEXIM bonds over the last two years. As a result, KEXIM was able to successfully issue 10-year note over the last two years and particularly this year, KEXIM tapped the longer part of the curve three times by issuing 10-year bonds in January, May and September of 2023.</p> <p>Q3) Regarding the increase of funding that has started from 2020, was there a big evolution in terms of balance sheet that justifies this funding increase or is it that in the previous years the funding sources was coming from something other than public offering?</p> <p>A3) First, KEXIM has steadily growing loan portfolio. To keep with this steady increase in loan size, KEXIM needed funds to allocate to these projects, which led to KEXIM's tap to market more often with bigger size. Second, after the COVID pandemic outbreak, KEXIM saw great opportunities in the public bond market and considered it to be helpful to visit public market. As KEXIM desires to become a strong, genuine SSA issuer of Korea, KEXIM recognized the need of more liquidity in the public market and continued printing of large size issuance e.g. USD 1bn+ per tranche. This year alone, KEXIM successfully issued USD 6bn public bond and in EUR space KEXIM issued EUR 1.85bn. Both are record numbers for KEXIM, being the largest funding size ever achieved in either currency in the public market by any Korean issuer. Simply put, KEXIM's funding strategy transforms depending on the market situation and how KEXIM would like to position itself in the global debt capital market.</p>