

Investor Q&A

Date	July 6, 2023
Investor	Treasury / Asia
Q&As	<p>Q1) What is your funding preferences in terms of currency and tenor, and what is the rationale behind this preference? A1) When considering the currency and tenor of the bond issuance, our principle is to match our assets as closely as possible. In terms of currency, approximately half of our issuances are in USD, as more than 70% of our loans are USD-denominated. We also visit other currency bond markets when we want to expand our investor base or when we spot arbitrage opportunities in the basis spreads, since we swap most of our non-USD bonds back to USD. For tenors, we usually issue 3-, 5-, 10-year notes to match the average duration of 4 years of foreign currency denominated assets.</p> <p>Q2) What is your preferred channel of issuing bonds – private placement or public market? We visit both channels frequently. Public offerings allow us to issue in large benchmark sizes of 500 million to 2 billion USD as well as access a variety of investors; private placements, on the other hand, allow us to swiftly secure short term funds, as opposed to public offerings that usually go for mid to long term tenors. PPs also allow us to issue bonds in more favorable terms, as well as meet a variety of investor demands.</p> <p>Q3) You’ve done some 2-year bond issuances in the past. Do you foresee yourself to continue to issue shorter sustainability bonds? A3) We certainly can consider a 2-year tenor issuance depending on investor appetites as well as the currencies, but no specific plans have been established as of now.</p> <p>Q4) Is your Sustainable Finance Framework aligned with the ICMA Green Bond Principles? A4) Yes, we have recently updated the Sustainable Finance Framework to incorporate the said ICMA Green Bond Principles. We will continue to closely monitor the international trend in bond issuances and maintain our full commitment to the ESG sector.</p> <p>Q5) In March this year, KEXIM did a US\$3bn deal with ARAMCO. We have our concerns on how we view KEXIM’s ESG bonds in relation to these unsustainable transactions and funding; how do you see yourself positioned in the ESG space? A5) We are well aware of how green-washing can jeopardize our reputation, and thus are closely monitoring and managing our green bond allocation to green assets based on international standards and our own ESG framework. Also, we are no longer providing assistance to the coal sector, in line with the international ESG movement. However, it is inevitable for KEXIM as Korea’s ECA to maintain some exposures to sectors like petroleum industries, in accordance with the government’s</p>

initiatives. On the long term, as the Korean government moves towards a carbon neutral economy, we expect KEXIM's policies to be more aligned with the national directives, resulting in reduced exposures in the unsustainable sectors. We would like to affirm you that we are strictly ring-fencing our ESG assets and liabilities, so the funds do not flow into non-ESG assets.

Q6) For non-USD bonds that you issue, do you receive the cash in that currency and then do the swaps directly? Or do the swap agreements usually come in a package along with the bond issues from the banks?

A6) We usually receive them as a package for private placements. However, for large deals, such as the recent AUD-denominated bonds that we issued through public offerings, we do our swaps directly through the bidding process among international banks.

Q7) Does your KRW funding stay in Korea for local lending?

A7) Yes, our KRW funding proceeds are used to meet on shore demand in Korea.