

# ANNUAL REPORT 2022

We Finance  
Global Korea

## About Korea Eximbank

The Export-Import Bank of Korea (henceforward referred to as “Korea Eximbank” or “KEXIM”) is an official export credit agency (ECA) providing comprehensive loan and guarantee programs to support Korean companies 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 finance, trade finance and guarantee programs structured to meet the needs of clients in a direct effort to both complement and strengthen clients’ competitiveness in global markets. Korea Eximbank also provides overseas investment finance, import finance, financial advisory and arranging services aimed at exploiting business opportunities abroad.

Furthermore, Korea Eximbank is responsible for the operation of two government-entrusted 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.

By continuously fostering innovation and growth throughout its operations, Korea Eximbank strives to facilitate Korean companies’ global advancement as proclaimed in its vision statement, “We Finance Global Korea.”

# Contents

## Introduction

---

- 004 Message from the Chairman and President
- 008 Senior Management
- 010 Vision & Strategy
- 014 2022 Business Highlights
- 018 2022 Financial Highlights
- 020 Economic Situation and Industry Trends

## Operation Review

---

- 026 **Export Credit**
  - 028 Overview
  - 029 Innovative Growth Industries
  - 031 Maritime Financing
  - 033 Infrastructure & Plant
  - 039 Natural Resources Development
  - 040 Small & Medium Enterprises
  - 045 Interbank Credit Facility
  - 047 Investment
  - 050 Supporting Activities
- 054 **EDCF - Economic Development Cooperation Fund**
  - 056 Overview
  - 057 Policies & Directions
  - 059 Commitments & Disbursements
  - 061 Major Achievements
  - 064 Enhancing Partnerships
  - 067 2023 Business Plan
- 068 **IKCF - Inter-Korean Cooperation Fund**
  - 070 Overview
  - 071 Inter-Korean Relations in 2022
  - 071 Assistance Activities
  - 072 Funding Activities
  - 072 2023 Business Plan
  - 073 Research Activities

## Management Review

---

- 076 Funding
- 078 Risk Management
- 079 Digitization
- 081 ESG Management

## Financial Review

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- 096 Financial Status
- 097 Independent Auditor's Report
- 099 Consolidated Financial Statements
- 104 Notes to the Consolidated Financial Statements
- 180 Independent Auditor's Report
- 182 Separate Financial Statements

## Appendix

---

- 190 Organization Chart
- 191 Head Office and Domestic Branches
- 192 Overseas Network

## TCFD

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- 194 Task Force on Climate-related Financial Disclosures



<https://www.koreaexim.go.kr>



Direct link to a video introducing  
Korea Eximbank's Operation in 2022

# Message from the Chairman and President

KEXIM's outstanding performance in 2022 resulted in an all-time record export volume of USD 683.6 billion, and thus reinforced its position as the backbone of the Korean economy in times of crises.



# Message from the Chairman and President

2022 was characterized by an agglomeration of factors that posed significant challenges for the Korean economy. High inflation, global supply chain disruption, tightening monetary policy, the after-effects of the Covid-19 pandemic and the Russia-Ukraine war have all caused serious disruption across the globe. Concerns about vulnerabilities in financial markets have risen, and we also witnessed an unprecedented worsening of our trade deficit in the face of a weakening currency.

Historically, as a pioneer in Korean exports and a foreign currency liquidity provider, KEXIM have played a significant role as salvager in forming a reliable safety net in times of both domestic and international economic turmoil, including during the Asian Financial Crisis in 1997 and the Global Financial Crisis in 2008. Such expertise proved invaluable in assisting the nation to achieve record levels of exports by the end of 2022.

## Key Achievements in 2022

It was a year of milestones and recognition – we reached a landmark 100th project finance deal, 23 years on from our first project in 1999. Additionally, we were honored with a presidential commendation for creating favorable environments for SMEs to boost their exports.

KEXIM provided total funding of KRW 76.7 trillion, exceeding our initial target of KRW 69 trillion by 11%. In response to the uncertain business environment, we offered relief measures including the ‘Liquidity Support Program’ for companies facing unexpected liquidity shortage resulting from the Russia-Ukraine war.

In 2022 we continued to nurture key industries in line with the government’s agenda. We set up new credit lines focusing on the promising sectors of semiconductors, batteries, future mobility and biotechnology, and introduced bespoke financial programs to the defense and nuclear industries. Also, in light of the ongoing restructuring of global supply chains, we started a ‘Global Supply Chain Response Program’ which ensures that high-tech industries and agricultural sectors receive the necessary support.

To address the heightened uncertainty in the global capital markets, KEXIM succeeded in issuing USD 3 billion global bonds in January 2022 which was highly valued, not only for the institution, but also for other bond issuers as a benchmark. In addition, our ‘Forward Exchange Transaction Program’ has helped Korean shipbuilders to effectively hedge against foreign exchange risk. KEXIM played a pivotal role in resolving market failure when the nation was faced with foreign currency liquidity challenges.

When it comes to the Official Development Assistance (ODA), as a government-entrusted agency of the Economic Development Cooperation Fund (EDCF), we have strengthened relationships with developing countries by committing a total of KRW 3.1 trillion. We mainly focused on green, digital and public health financing and applied the ‘Climate Change Impact Response System’ to projects, which reflects our continuous efforts to achieve Sustainable Development Goals.

Lastly, the launch of KEXIM Global (Singapore) Ltd. marked a milestone in our strategic foothold abroad. This subsidiary aims to extend our financial expertise to the Middle East and Asia-Pacific, through establishing key networks with local clients, investment banks, international financial institutions, etc.

## The Year Ahead

Looking ahead, several concerns remain for our economy. Heightened geopolitical tensions may lead to a global financial downturn. Furthermore, trade patterns are increasingly predicated on bloc economies and protectionist ideals. We believe, however, that our expertise and track record will give us an advantage in navigating such risks.

Our four core business goals for 2023 are as follows:

### Strengthening Export Competitiveness

Our goal is to place the nation on a trajectory towards becoming one of the top five exporting countries in the world. KEXIM plans on extending a total of KRW 16 trillion to the ‘High-tech Strategic Industry Support Program’ to facilitate



exports in industries where Korea is competitive. Also, we will continuously support Korean companies in their efforts to win bids for nuclear and defense projects.

### Improving Supply Chain Issues

We will continue to mitigate against the adverse impact of global supply chain disruptions. Our ‘Global Supply Chain Response Program’ will be reviewed and expanded with the final target of providing financial support across the entire supply chain of each industry. Specifically, for the natural resources industry, our areas of support will be wide-ranging, including the development of natural resources overseas, assistance in long-term procurement agreements, and the establishment of infrastructure in order to import natural resources.

### Increasing Responsibility as an Export Credit Agency

KEXIM will augment its competitiveness in cooperating with the relevant financial institutions. We will diversify our financial support mechanisms by introducing global currencies financing catered to meet foreign exchange needs. In 2023, we will actively engage with global development finance institutions in large-scale infrastructure Public-Private Partnership (PPP) projects by utilizing various financing tools.

### Providing Sustainable Financing

Finally, we will strengthen our sustainable financing regime. In 2023, we will commit a total of KRW 15.1 trillion to ESG-

related projects. We will continue our support for developing an ecosystem for the hydrogen economy and perform the role as the leading ECA in supporting CO2 emission reduction projects, thereby providing new business opportunities for Korean companies and assisting the Korean government to meet its carbon neutral goals. KEXIM is fully committed to fulfilling its social responsibility and maintaining its strong reputation as a responsible player in global financial industry. We will also support developing countries’ response to climate change through our ODA program and lay the groundwork to achieve sustainable peace on the Korean Peninsula through the Inter-Korean Cooperation Fund (IKCF).

As our economy faces complex and unprecedented challenges in the global trade environment, we hope to establish ourselves as a leading ECA that supports, fortifies and propels the country’s export-oriented economy.

Thank you all for your continued support.

**Yoon Hee-sung**  
Chairman & President

# Senior Management



**Yoon Hee-sung**  
Chairman & President



**Kim Jong-cheol**  
Auditor



**Kwon Woo-seog**  
Vice Chairman & COO



**Kim Tae-soo**  
Executive Director



**Lee Jai-min**  
Non-standing Executive Director



**Yun Tae-ho**  
Non-standing Executive Director



**Huh Chang**  
Non-standing Executive Director



**Nam Hye-jeong**  
Non-standing Executive Director





**Ahn Jong-hyuck**  
Vice President  
Head of Planning & Coordination Group



**Chung Soun-young**  
Vice President  
Head of Innovative Growth Finance Group



**Kim Hyoung-jun**  
Vice President  
Head of Project Finance Group



**Mo Chang-hee**  
Vice President  
Head of SME Finance Group



**Park Jong-kyu**  
Vice President  
Head of EDCF Coordination Group



**Hong Soon-young**  
Vice President  
Head of EDCF Operation Group



**Hwang Kiyeon**  
Vice President  
Head of Inter-Korean Cooperation Fund Group



**Kang Jungsoo**  
Vice President  
Head of Risk Management Group



**Lyoo Yeon-kap**  
Chief Compliance Officer

# Vision & Strategy

## Opportunities and Challenges



Supply chain restructuring as well as a heavier weight on climate and ESG are expected to generate new opportunities and challenges. Facing an unstable macroeconomy marked by high inflation and soaring interest rates, most countries have introduced economic policies that have in effect disrupted traditional supply chains and age-old international rules of trade. Meanwhile, as ESG policies gradually take shape, leading economies are also tasked with internalizing ESG themes and metrics at the individual business level. Businesses could indeed find adopting these changes burdensome, but new opportunities are expected to arise in parallel with the shift in business paradigms.

Korea Eximbank has devised business strategies to help Korean businesses prepare ahead for rapidly changing industry trends. These strategies aim to provide tailored financial solutions to our corporate clients, particularly those seeking to expand their overseas business in response to the shifting global supply chain and requirements imposed by new ESG standards.

## Mission

**Development of the national economy through promotion of international economic cooperation**

## Vision 2030

WE  
FINANCE  
GLOBAL  
KOREA

### KEXIM, KEXIM PEOPLE

Financial leader for Team Korea

### FINANCIAL EXPERT

Unique government policy arm as the nexus of ECA·EDCF·IKCF

### LEADING PIONEER OF NEW OVERSEAS MARKETS

Financial partner for economic cooperation with developing countries

### CLIENTS, KOREAN CITIZENS

Contributor to national economy

## Strategic Goals and Action Plans



Korea Eximbank’s business strategy consists of three major components: a long-term strategy entitled “Vision 2030,” a mid-term business plan (2023~2025), and an annual business plan. Each of these components culminate in the Bank’s mission, which is the “development of the national economy through promotion of international economic cooperation.” Specifically, under the long-term Vision 2030 strategy and the mid-term business plan, the Bank aims to achieve its five strategic goals by implementing a subset of ten strategic tasks. The strategic goals and tasks are further divided into three-year action plans.



## Mid-term Business Plan (2023~2025)

### 5 Strategic Goals

### 10 Strategic Tasks

### Action Plans

1.

**Resilient leader of export-import finance and overseas investments**

1. Securing fundamental export competitiveness by fostering high-tech strategic industries
2. Strengthening economic security by stabilizing supply chains
3. Providing customized financial support for the expansion of Korean companies' overseas business
4. Supporting risk management and strengthening competitiveness of Korean SMEs
5. Enhancement of internal and external risk management capabilities

- Provide early financial support to foster high-tech industries and acquire new export opportunities
- Give all-out support to secure key resources and business items
- Capture overseas project opportunities through financial partnerships with project owners
- Support crisis response and sustainable growth of Korean SMEs
- Enhance risk management system for crisis response

2.

**Financial expert with adaptive solutions**

6. Establishing the foundation of digital finance through digitalization of businesses
7. Cultivating creative talent in the financial sector

- Advance digital customer channels
- Cultivate creative human resources in the financial sector

3.

**Partner of developing countries for economic cooperation**

8. Promoting mutual growth with developing countries through strategic economic cooperation

- Strategically execute EDCF expansion plans

4.

**Facilitator of economic cooperation between South and North Korea**

9. Contributing to normalization of inter-Korean relations by strengthening the foundation for economic cooperation

- Formulate execution plans for the Audacious Initiative, a national effort to normalize inter-Korean relations

5.

**Trusted ECA**

10. Creating a sustainable management environment

- Bolster internal control and ethical, human rights management activities

# Vision & Strategy

## 2023 Business Plan

### Mission

**Leading Korea's export activity as the country rebounds from crisis and achieves economic security**



#### 4 Core Strategies

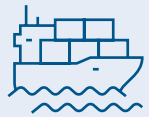
#### 11 Core Tasks



#### Export EXIM

**Make the leap to become a World Top 5 Export Economy**

1. Secure global leadership in advanced strategic industries
2. Focus support toward Korea's leading sectors
3. Solve SMEs' business challenges and strengthen support for local business



#### K-Supply Chain

**Stabilize supply chains to achieve economic security**

4. Give all-round back-up to secure capability to respond to global supply chain instability
5. Improve policy-based finance support system for supply chain stabilization



#### Innovative ECA

**Make headway as a global leading ECA with a competitive edge**

6. Expand industry coverage by launching innovative finance instruments
7. Reinforce development finance for effective support of emerging countries
8. Exhibit leadership in implementing international greenhouse gas reduction projects



#### Sustainable Growth

**Build foundation for sustainability in growth through effective cooperation**

9. Nurture potential for transition toward a low-carbon, eco-friendly economy
10. Encourage emerging countries to act on global climate change goals
11. Lay groundwork for North Korean development aid

## Establishing a strong foundation across the Bank to facilitate mission achievement



### Preemptive Risk Management

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- Ensure financial soundness by improving capital adequacy metrics
- Conduct efficient credit portfolio management
- Minimize risk exposure against market volatility



### Digital Finance Level Up

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- Upgrade the Korea Eximbank digital platform
- Launch data-based automatic credit assessment system
- Create supply chain funding system

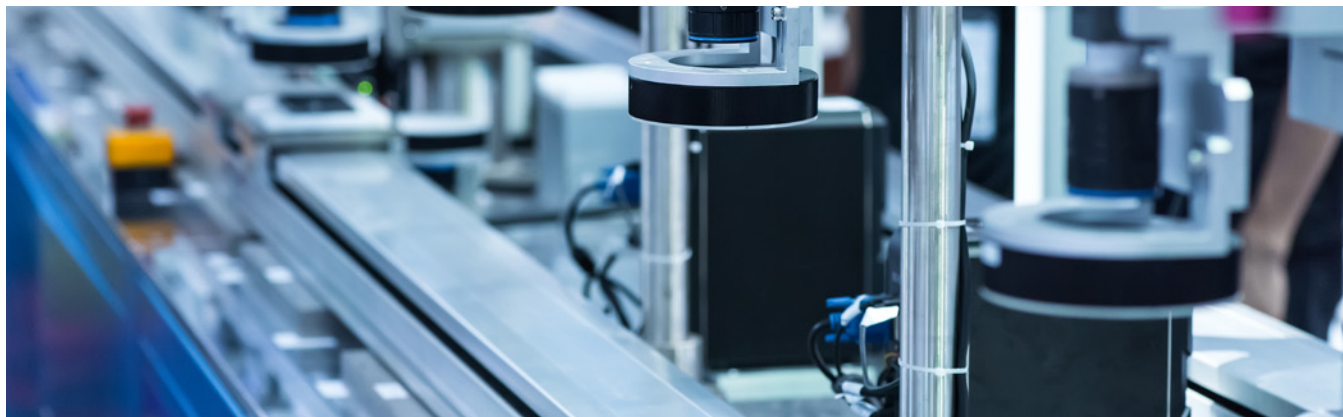


### Internal Enhancements

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- Build internal collaboration framework for sustainability finance projects
- Implement credit classification system for new industries
- Expand financial guarantee to better utilize global liquidity

# 2022 Business Highlights



## K-SUPPLY CHAIN

The year 2022 saw an unprecedented disruption in the global supply chain. The war in Ukraine further weakened the global supply chain already undermined by trade wars and the Covid-19 pandemic. During the year, Korea Eximbank prioritized providing financial support to Korean businesses to mitigate the global supply chain challenges they face.

### All-in Effort to Procure Raw Materials

Korea is largely dependent on imports for raw materials such as energy, minerals and grains, making it especially vulnerable to global supply chain disruptions. In 2022, Korea Eximbank provided KRW 7.6 trillion to projects geared at stabilizing the procurement of raw materials, while also implementing new financing schemes with a similar focus. For example, the Bank provided Trafigura, the global commodities trading firm, and SQM, a Chilean mining company, with financing under the specific condition that these firms allocate key raw materials to Korean businesses. Korean companies are expected to benefit immediately from these arrangements, securing a steady supply of essential minerals and reducing supplier concentration risk.

### Reinforcing Logistics Infrastructure through Expansion of Korea's Merchant Fleet

In 2022, the Bank approved USD 1.9 billion in credit to Korean shipping companies to procure 27 ships. The amount marks a twofold increase from the previous year, and the highest record of all time. Twenty out of the 27 ships financed are LNG carriers, supporting shipping companies' efforts to reinforce their LNG fleet; LNG is expected to face strong demand due

to its position as a 'transition fuel'. The Bank also financed the procurement of LNG carriers in support of a Korean consortium of three shipping companies that had won a long-term LNG transportation contract from Qatar Energy, contributing to expanding Korean presence in global business opportunities.

### Stabilizing the Supply Chain by Reinforcing On/Offshore Production Capacity

The Bank has made efforts to reinforce Korea's competitive edge in the global supply chain by expanding both onshore and offshore production facilities. Korea depends on Chinese imports for more than 80% of the country's lithium hydroxide (LiOH) demand. To encourage import substitution in the battery supply chain and promote expansion of onshore production facilities, the Bank provided financing for Korea's first onshore LiOH processing plant. In the same thread, the Bank also provided a total of KRW 1.3 trillion in credit in 2022 to companies undertaking reshoring initiatives; the sum marks a 70% increase from the previous year, and more than a threefold increase from 2020. The Bank also supported offshore production plants such as an electric vehicle battery plant in Europe.

# EXPORT EXIM

The year 2022 faced sharp economic headwinds triggered by a domino of issues such as the trend toward monetary tightening and China's rigid zero-Covid policy. Disbursing a total of KRW 76.7 trillion in credit, Korea Eximbank remained devoted to promoting Korean exports despite the challenging markets. The Bank's efforts culminated in Korea not only registering a record-high export volume of USD 683.6 billion, but also recovering sixth place in global exporter rankings, a proud result since falling to seventh place in 2019.

## Fostering Core Strategic Industries

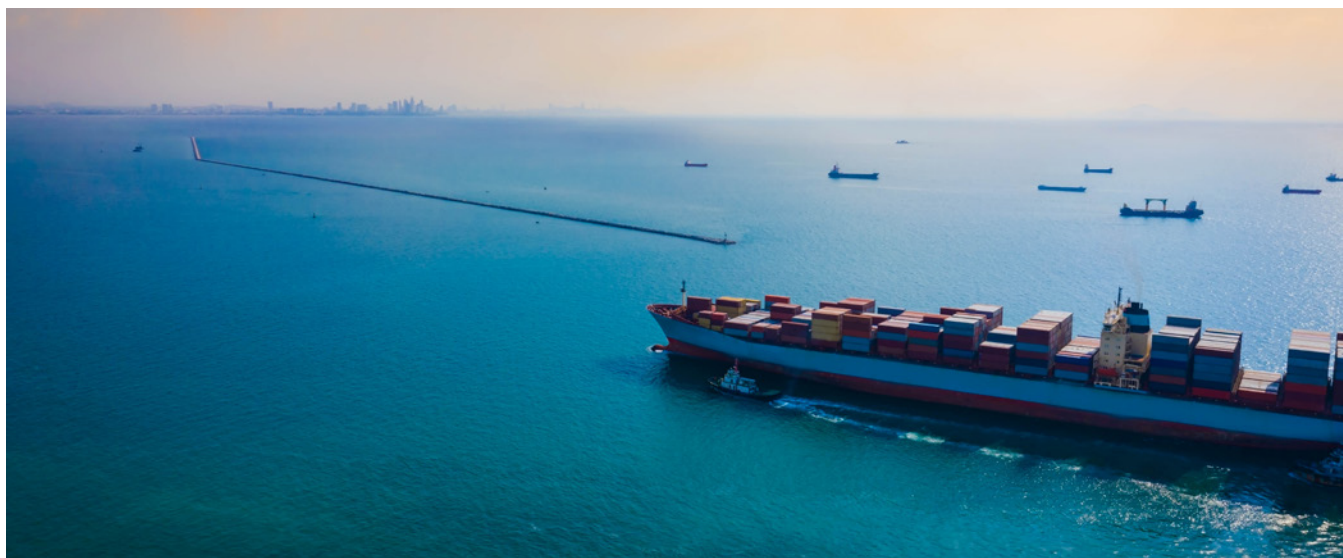
The Core Strategic Industries, namely batteries, biotechnology, future mobility, and semiconductors, are expected to be the new growth engines of the Korean economy. The Bank offered a total of KRW 7.5 trillion in 2022 to help incubate these industries, tailoring the solutions each time to support various activities including R&D, cross-border M&As, and imports of intellectual property. The Bank also extended credit lines amounting to KRW 1.5 trillion to secure prior financing support for future requests to three companies in these industries. The credit line is expected to provide a prompt response to the clients' finance needs and additional business opportunities for the Bank.

## Promoting Korea's Participation in Overseas Projects

Korea Eximbank has been keen to establish long-term relationships with promising overseas clients by providing prior financing through Framework Agreements (FA). The Bank made its first disbursements in this category through the FA with ADNOC (Abu Dhabi National Oil Company) and is in the process of negotiating additional FAs that have potential to lead to large infrastructure contracts for Korean companies.

## Supporting SMEs' Overseas Business

Supporting SMEs' export competitiveness is another priority for the Bank. In 2022, the Bank provided KRW 34 trillion in credit to SMEs, setting a new record for 4 consecutive years. The Bank implemented a special program to help SMEs overcome the challenges caused by the highs in inflation, interest rates, and exchange rates. The program eased the interest rate burden to SMEs, providing a total of KRW 1.6 trillion in new loans and rollovers. Moreover, the Bank provided KRW 835.8 billion to 74 companies redeveloping their portfolio to adapt to changing industry environments; these funds have been especially helpful to auto parts makers, which stand at the crossroads of the automobile industry transitioning from internal combustion engine vehicles to electric vehicles. The Bank also set up a digital platform for factoring which allows for digital submission and verification of documents. The platform improves SME's accessibility to the Bank's services, while allowing the Bank to handle a wider client base.





## GREEN INNOVATION

Under the establishment of carbon neutrality goals and recent emphasis on solidarity and cooperation for developing countries' climate change response, Korea Eximbank actively supported eco-friendly businesses and carbon-neutral transitions through innovative finance utilizing export finance and the EDCF, as well as fostering creative talent.

### Promoting Eco-friendly, Low-carbon Business

As part of an effort to mitigate challenges posed by climate change, the Bank provided a total of KRW 19.9 trillion in credit to eco-friendly businesses. The funds were allocated to operations such as import of biomass, production of solar cells, and equity investment in a hydrogen fuel cell company. The Bank also supported Korean companies tapping into new markets by providing project finance to solar energy projects in Latin America. In the long term, the Bank seeks to build close relationships with companies engaging in eco-friendly business. For example, the Bank signed an MOU to consider financing support to projects supported by the 'Hydrogen Fund,' a fund dedicated to building hydrogen production, distribution and storage infrastructure, and also attracting investment for development of core hydrogen technology.

### Encourage Emerging Countries to Act on Global Climate Change Goals by Engaging EDCF

With climate change consistently a high priority for the sustainable growth of emerging countries, EDCF made USD 1.5 billion in commitments to 16 projects in 2022 under the Green EDCF initiative, surpassing its initial goal of USD 0.8 billion. These Green EDCF projects are expected to contribute to climate change mitigation and/or adaptation activities in partner countries. Notably, EDCF attempted to diversify its financing tools in Green EDCF projects, ranging from collaborating with MDBs in program loans to support institutional reform in relation to climate change, to reviewing participation by investment or guarantee in MDB's climate change-related fund.

Meanwhile, EDCF established its internal guidelines to prepare a performance evaluation framework for climate change response projects. EDCF aims to gradually step-up internalization of green factors at each stage of the project implementation cycle.

### Development of Creative Finance Talent to Perform in a Fast-evolving Market

Korea Eximbank has set its focus on fostering creative and multidisciplinary talent in finance. Changes are planned across talent acquisition and development to uncover multi-skilled talent and build professional skills throughout the organization. In line with government policy on promoting fairness in hiring through Blind recruitment basis, the Bank is developing various recruitment strategies that are suitable for the Bank. These efforts are aimed at bringing together expertise from a range of disciplines and fostering creative talent in finance, while allowing Korea Eximbank to champion fairness and diversity as core values at work.

To develop industry and market-specific experts, the Bank expanded on-site training programs and organized intensive training courses on key coverage industries such as semiconductors, renewable energy, biotechnology, aerospace, batteries, and future mobility. Industry experts were invited to offer step-by-step data technology (DT) programs covering programming and blockchain concepts, greatly enhancing digital literacy of the Bank's employees. To raise awareness of ESG principles throughout the organization, the Bank provided its professionals with special lectures, women's leadership training, and annual training against bullying and harassment at the workplace.



# SUSTAINABLE GROWTH

The world expects South Korea to play an integral role in promoting mutual prosperity with developing countries and facilitating peaceful inter-Korean relations. In setting example, Korea Eximbank continues to spearhead building the foundations for both international and domestic cooperation that are geared at delivering mutual prosperity, better ESG management practices, and ethics and human rights as everyday ways of life.

## Contribution to Sustainable Growth of Developing Countries via EDPF

Korea Eximbank has been placed in charge with the Economic Development Promotion Facility (EDPF), a new bilateral Official Development Assistance (ODA) program of the Korean government, to promote the economic development and welfare of developing countries. In 2022, Korea Eximbank committed a USD 208 million EDPF loan for the Karian-Serpong Water Conveyance System Project. The project will construct approximately 50km of water conveyance pipeline connecting the Karian multi-purpose dam to the Serpong water treatment plant, and forms one component of a long-term project of the Indonesian government to deliver water from the Karian multi-purpose dam to a growing population in the west Jakarta, West Java, and Banten provinces, an area undergoing rapid industrialization and urbanization. The Serpong water treatment plant will be implemented by private investments under a public-private partnership (PPP) scheme. When completed, this facility is expected to improve the supply of clean and safe water, reduce waterborne disease, and enhance quality of life in west Jakarta and its adjoining regions. As such, Korea Eximbank, through EDPF, endeavors to contribute to the sustainable growth of developing countries.

## Gradual Build-up of Inter-Korean Development Cooperation

In 2022, the South Korean government proposed a new policy on North Korean relations dubbed the Audacious Initiative.

This policy entails developing economic cooperation strategies provided in phases in return for North Korea's denuclearization efforts. Korea Eximbank plays a support role in the planning and execution of inter-Korean policy initiatives as the Korean government's executor of the Inter-Korean Cooperation Fund (IKCF). In 2022, the IKCF provided special loans and grants to South Korean companies struck by the suspension of the Gaeseong Industrial Complex and shutdown of the Mount Geumgang Tourist Zone.

## Strengthening ESG Management

Korea Eximbank has made a steady effort to achieve ESG management goals since adopting its ESG Roadmap in 2021. The Bank has stepped up financial support for Korean businesses seeking to stay competitive on ESG management through an ESG financing program introduced in 2021. In 2022, the Bank expanded attractive loan programs on the basis of ESG metrics and made investments to several ESG funds. The Bank also issued green bonds consistently based on the Sustainable Finance Framework. ESG governance has been another priority within the organization. Not only has the Bank expanded the role of the ESG Committee established in 2021, but it has also acknowledged need for transparency by making ESG disclosures in line with global standards. Finally, the Bank carried out a diverse array of activities to reduce operational greenhouse gas (GHG) emissions and established a new Climate Risk Management Framework.



# 2022 Financial Highlights

## Financial Highlights

	2022		2021
	KRW trillion	USD billion	KRW trillion
<b>FOR THE YEAR</b>			
<b>Commitments</b>	86.4	66.9	76.5
Loans	65.2	50.5	60.4
Guarantees	21.2	16.4	16.2
<b>Disbursements</b>	76.5	59.3	72.2
Loans	59.1	45.8	60.4
Guarantees	17.3	13.4	11.8
<b>Net Income</b>	0.416	0.322	0.482
Applied Exchange Rate KRW/USD		1,292.0 *	
* Average Exchange Rate for 2022			
<b>AT YEAR-END</b>			
<b>Outstanding</b>	126.0	99.4	107.7
Loans Outstanding	86.6	68.3	77.6
Guarantees Outstanding	39.4	31.1	30.1
<b>Total Assets</b>	123.17	97.19	102.25
<b>Paid-in Capital</b>	12.77	10.08	12.75
Applied Exchange Rate KRW/USD		1,267.3 *	
<b>BIS Ratio</b>		13.4%	14.8%

\* Year-end 2022 exchange rate

## Credit Ratings

Equivalent to the Sovereign Credit Rating of Korea

AA

**S&P**  
(since Aug. 2016)

AA-

**Fitch**  
(since Sep. 2012)

Aa2

**Moody's**  
(since Dec. 2015)

## Total ESG Disbursement

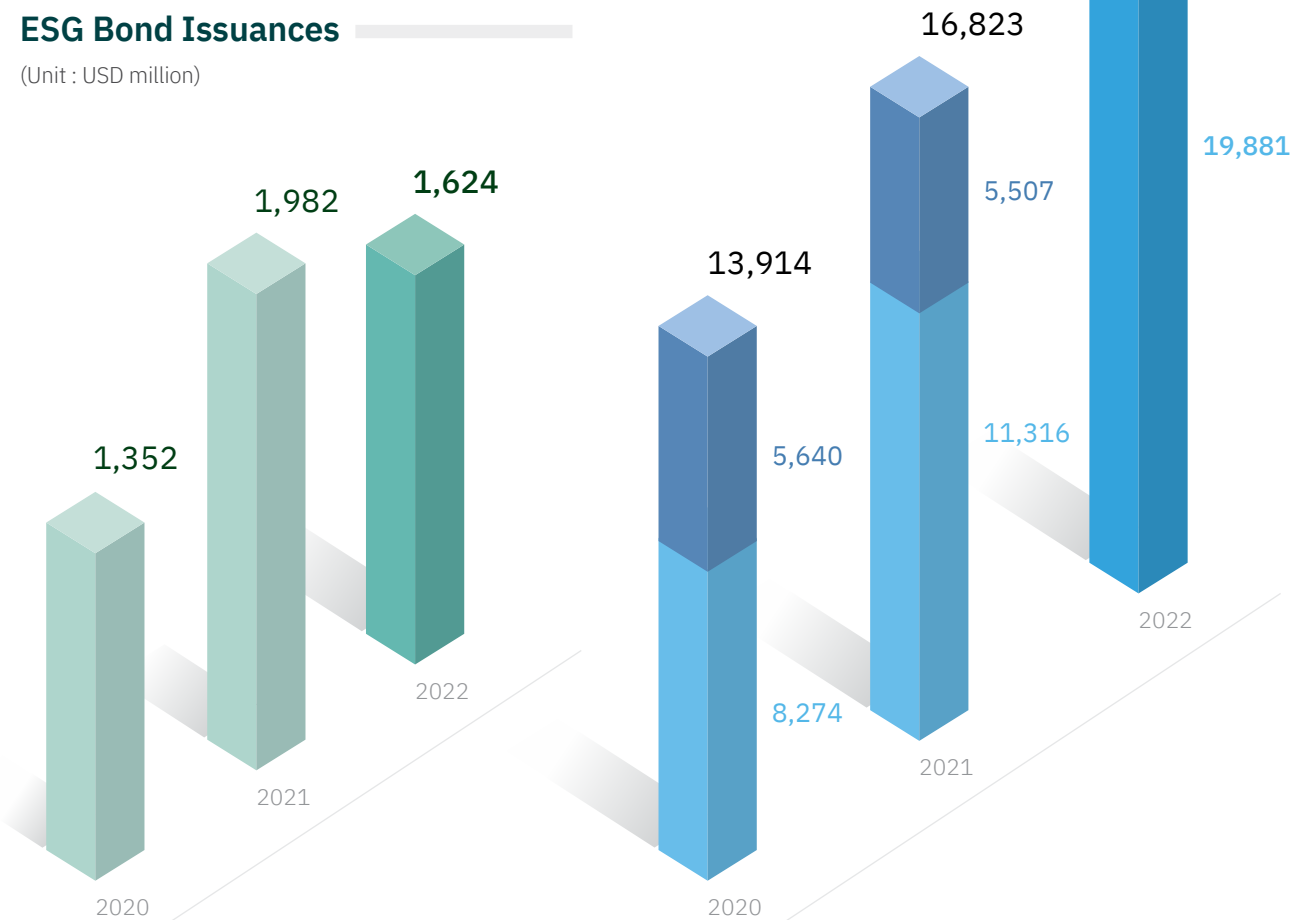
(Unit: KRW billion)

■ Environment ■ Society ■ Other



## ESG Bond Issuances

(Unit : USD million)



# Economic Situation and Industry Trends

## Economic Trends

In 2022, Korea recorded an annual GDP growth rate of 2.6% according to the Bank of Korea. Korea's exports hit historic highs despite the Russia-Ukraine war, China's zero-COVID lockdowns and other headwinds.

In 2023, Korean economic growth is expected to track around 1.7% due to sluggish exports caused by the interest rate hikes in major countries and the global economic downturn.

## Trade Trends

Korea recorded an annual GDP growth rate of 2.6% in 2022.<sup>1)</sup> On the expenditure side, construction and facilities investment declined and the growth of exports and imports slowed while private consumption grew. On the production side, while manufacturing growth slowed, the growth of services slightly expanded.

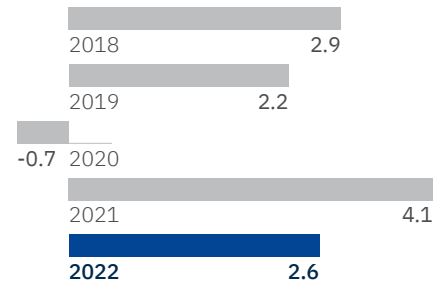
Korea's exports in 2022 reached USD 683.6 billion (customs-cleared basis), a 6.1 % increase over the previous year, while imports increased 18.9% to USD 731.4 billion. Annual trade totaled \$1.4 trillion (up 12.4%), while the trade balance recorded a deficit of \$47.8 billion<sup>2)</sup>. Propelled by rising commodity prices and overall export prices, Korea's exports hit a surprise high in 2022 despite uncertainties such as the Russia-Ukraine war and China's COVID-19 lockdown. At the other end of the equilibrium, however, higher global energy prices and interest rate hikes in major economies slowed the growth of exports post-October, resulting in a marked rise in imports and an annual trade deficit. Korea ranks among the top six trade countries worldwide in 2022.

In 2022, nine sectors accounted for more than 66% of Korea's exports. By sector, in order of export size, semiconductors (up 1.7% from the previous year and to \$130.9 billion), petroleum products (up 65.3% to \$63.0 billion), automobiles (up 16.4% to \$54.1 billion), machinery (up 2.1% to \$51.1 billion), steel products (up 5.7% to \$38.5 billion), and automotive parts (up 2.4% to \$23.3 billion) sectors benefited from eco-friendly policies and dollar appreciation. On the other hand, petrochemicals (down 1.5% from the previous year to \$54.3 billion), display panels (down 1.1% to \$21.1 billion), ships (down 20.8% to \$18.2 billion) sectors suffered from sluggish demand due to the global economic slowdown<sup>3)</sup>.

By region, exports to the ASEAN (up 14.8% to \$125.0 billion), U.S. (up 14.5% to \$109.8 billion) and EU (up 7.1% to \$68.1 billion) reached all-time highs while those to China (down 4.4% to \$155.8 billion) faltered. Exports to Japan (up 1.9% to \$30.6 billion), Latin America (up 3.0% to \$26.6 billion) and the Gulf Cooperation Council (up 12.3% to \$17.5 billion) also increased, but those to the CIS region dropped 17.7% to \$11.3 billion.

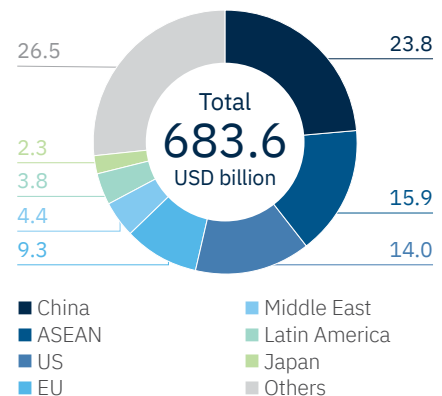
## Real GDP Growth Rate

(Unit: %)



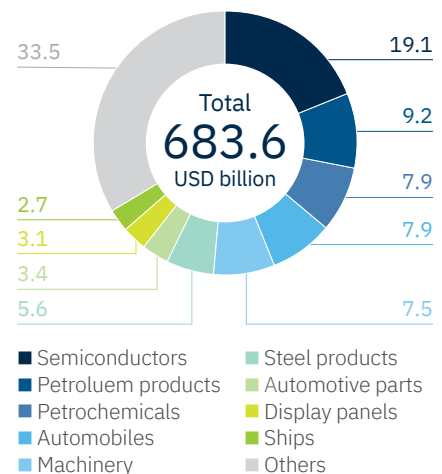
## Export Markets

(Unit: %)



## Major Export Sectors

(Unit: %)



<sup>1)</sup> "Real Gross Domestic Product: 4th Quarter Annual 2022 (Advance Estimate)" released by the Bank of Korea (January 26, 2023)

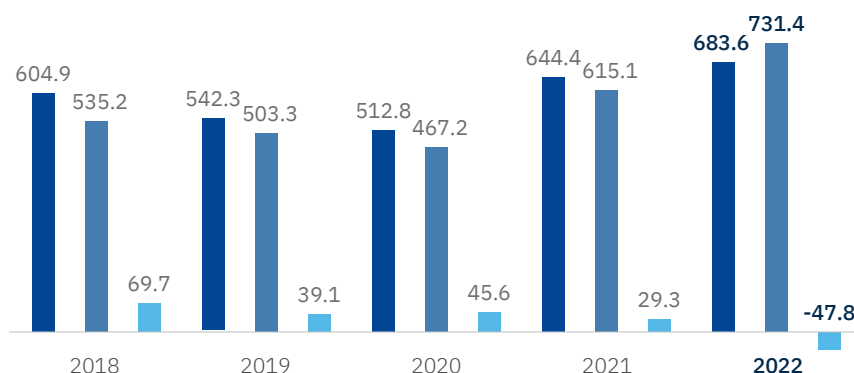
<sup>2)</sup> "Korea's exports grow 6.1% in 2022" released by the Ministry of Trade, Industry and Energy (January 3, 2023)

<sup>3)</sup> "Dec. 2022 and annual export & import trends" released by the ministry of Trade, Industry and Energy (January 1, 2023)

## Exports, Imports and Trade Balance

(Unit : USD billion)

■ Exports  
■ Imports  
■ Trade Balance



## Outbound FDI Trends

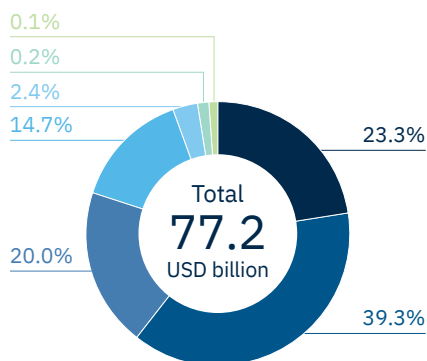
In 2021, foreign direct investments (FDI) reached a record high of \$76.8 billion, showing a significant increase of 34.1% compared to the previous year's \$57.4 billion. The recovery of investment was due to the easing of pandemic concerns and the worldwide distribution of vaccines. Outbound FDI in 2022 reached \$77.2 billion based on total investment, showing a slight increase of 0.4% compared to the previous year's \$76.8 billion. The number of enterprises newly established in foreign countries through outbound FDI also increased by 9.7% over the previous year to 2,456.

While investment destinations worldwide were diversified across 109 countries in 2022, outbound investment to the Top 5 countries accounted for 67.2% of total outbound FDI. Those top five countries are the U.S. (USD 27.7 billion), Cayman Islands (USD 9.4 billion), China (USD 6.6 billion), Luxembourg (USD 4.9 billion) and Singapore (USD 3.0 billion). The largest FDI recipient country was the U.S. although investment into the US decreased by 0.6%. The U.S. has remained the largest FDI recipient country since 2010. Notably, investment in Hungary increased significantly, ranking 8th at \$1.8 billion and recording a year-on-year growth rate of +117.3%.

By sector, the finance and insurance sector (USD 29.7 billion, yoy+0.6%) and the manufacturing sector (USD 23.6 billion, yoy+28.9%) received the lion's share of Korea's FDI, taking up 69.0% of total outbound FDI in 2022. The third largest outbound investment sector was real estate (USD 7.1 billion, yoy+0.6%), followed by IT (USD 3.7 billion, yoy-47.1%) and electricity and gas supply (USD 3.0 billion, +4.8%). The manufacturing sector was the leading contributor to the increase in the outbound FDI. Investment in the manufacturing sector increased compared to the previous year, mainly due to large-scale investments aimed at securing local production facilities for semiconductors, electric vehicles, and other related industries. On the other hand, investment in the IT sector decreased compared to the previous year due to the base effect resulting from the concentration of large-scale investment cases in 2021.

## Outbound FDI

(by region)



■ Asia  
■ North America  
■ Europe  
■ Latin America  
■ Oceania  
■ Middle East  
■ Africa

## Outbound FDI

(Annual Flow)

	2018	2019	2020	2021	2022
Amount (USD billion)	51.7	65.4	57.4	76.8	77.2
Change (%)	14.6	26.5	Δ12.2	34.1	0.4

# Economic Situation and Industry Trends

## Major Industry Trends

### Semiconductor <sup>4)</sup>

In 2022, exports of semiconductors increased by 1.7% to a record-breaking \$130.9 billion despite the protracted Russia-Ukraine war and global economic slowdown. Memory chips, the backbone of Korean semiconductor exports, were down 10.5% to \$73.8 billion due to a plunge in demand for IT devices such as smartphones and PCs causing a steep drop in memory chip prices during the second half.

Export of system chips, which are expected to drive new growth in semiconductor exports, increased 27.5% and broke through the \$50.0 billion threshold, reaching an all-time record of \$50.7 billion. Digital transformation and competitiveness enhancement in foundry (semiconductor manufacturing outsourcing) and packaging led to double-digit growth of system chip exports for three consecutive years.

### Shipbuilding <sup>5)</sup>

In 2022, the global new shipbuilding order volume declined compared to the previous year, but strong demand continued. New orders for LNG carriers hit a record high as LNG demand is projected to remain high over the long term due to the influence of Russia-Ukraine war. Demand for container carriers was also strong as high container freight rate continued in 1H. Global shipbuilding orders recorded 45.5 million CGT (Compensated Gross Tonnage), down 16.1% from the previous year.

Korean shipbuilders took the second highest market share after China. They occupied 36.7% of the total amount of contracts in terms of CGT. The volume of new orders secured by Korean shipyards was 16.7 million CGT in 2022, down 6.0% from the previous year. In terms of value, they reached USD 46.2 billion, up 4.4% from the previous year. Despite a decrease in contract volume, the value increased due to the rise in new building price.

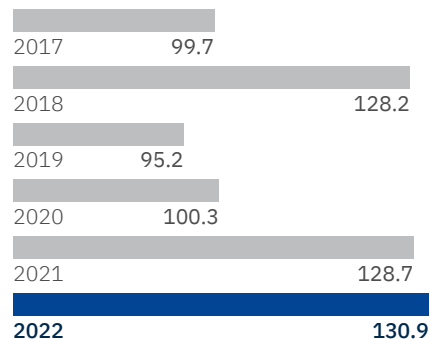
### Overseas Construction <sup>6)</sup>

Despite rising raw material prices following the outbreak of the Russia-Ukraine war and difficulties in financing due to global interest rate hikes in the second half of the year, total value of overseas construction projects awarded to Korean builders in 2022 amounted to USD 31.0 billion, up 1.3% from the previous year.

By region, the volume of construction orders from the Middle East fell to USD 9.0 billion (decreased 19.6% from the previous year) and Asian orders grew to USD 12.2 billion (increased 31.2% from the previous year). By sector, industrial facilities such as power

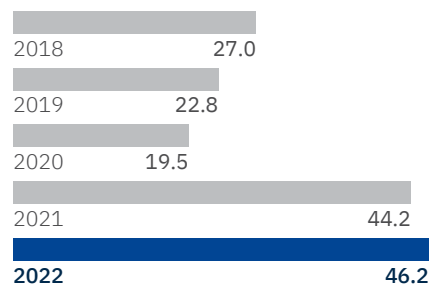
### Semiconductor Exports

(Unit: USD billion)



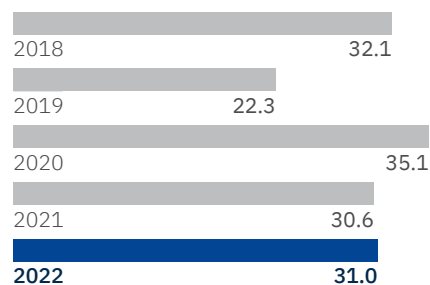
### Total Amount of New Shipbuilding Contracts

(Unit: USD billion)



### Plant Contracts Awarded to Korean Contractors

(Unit: USD billion)



<sup>4)</sup> "Korea's ICT exports hit all-time highs in 2022," released by the Ministry of Trade, Industry and Energy (January 13, 2023)

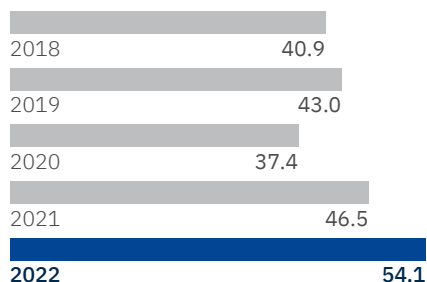
<sup>5)</sup> Statistics retrieved from the Clarksons Research Services, <https://sin.clarksons.net/> (Retrieved on Feb 16, 2023)

<sup>6)</sup> Statistics retrieved from the International Contractors Association of Korea (Retrieved on Feb 14, 2023)

plants, oil refineries, petrochemical plants, and gas facilities accounted for 42% of total overseas construction contracts in 2022. Contracts for industrial facilities amounted USD 13.1 billion, down 18.1% from the previous year, and civil engineering orders recorded USD 5.8 billion.

### Automobiles Exports

(Unit: USD billion)



### Automobiles <sup>7)</sup>

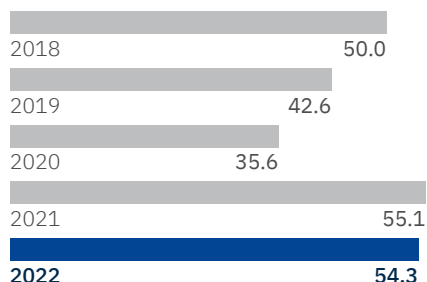
The number of vehicles manufactured in 2022 increased by 8.5% to 3.76 million units backed by some recovery of a long-standing shortage in the automotive semiconductor supply.

Concrete demand for Korean automobile brands helped to boost exports, driven by a global reputation for high quality and competitive pricing. Car export volume jumped by 12.7% to 2.3 million units and export value rose 16.4% to all-time high of USD 54.1 billion. Specifically, eco-friendly vehicles drove the growth as their exports jumped by 36.5% in terms of volume. Hence, the share of eco-friendly vehicles has expanded. Their volume accounted for 24.0% of total car exports in 2022, up 19.8% from previous year.

By region, export volume to North America, a major automobile export destination, increased by 19.3% compared to previous year and exports to EU also increased by 11.7%. Exports to the rest of the non-EU European region dropped by 22.3% due to the Russia-Ukraine war.

### Petrochemicals Exports

(Unit: USD billion)



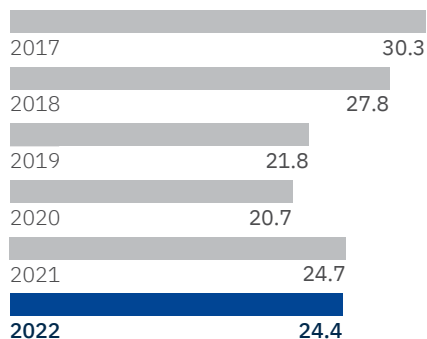
### Petrochemicals <sup>8)</sup>

The domestic petrochemical industry in 2022 was characterized by a significant expansion of production capacity and record exports. After reaching a record high of USD 30.0 billion in the first half of the year, petrochemical product exports began to decline in the second half of the year. As a result, petrochemical product exports in 2022 fell to USD 54.3 billion (decreased 1.5% from the previous year). Decline in demand is attributable mainly to the continued oversupply in Asia and a slowdown in demand due to the strong dollar, inflation, and the spread of COVID-19 in China.

In particular, exports of synthetic rubber plunged sharply, dropping by 23.2% from the previous year, due to economic slowdown. On the other hand, exports of basic materials such as olefins and BTX and synthetic fiber raw materials increased by 23.1% and 8.6% from the previous year, respectively, due to the expansion of production capacity and a 38.9% increase in oil prices from the previous year.

### Display Exports

(Unit: USD billion)



### Display <sup>9)</sup>

In 2022, exports of display panels fell by 1.0% from previous year to \$24.4 billion. Export of organic light-emitting diode (OLED), a new technology replacing liquid crystal display (LCD) screens in smartphones and TVs, increased 4.0% to \$15.1 billion, recording export growth in three years in a row. Exports of LCD were down 8.0% to \$55.5 billion due to the ongoing strategic exit by LCD producers and declining panel prices resulting in reduced production volume.

<sup>7)</sup> Statistics retrieved from the Korea Automobile Manufacturers Association and Korea International Trade Association (Retrieved on February 21, 2023)

<sup>8)</sup> Statistics retrieved from the Korea International Trade Association (Retrieved on February 16, 2023)

<sup>9)</sup> "Korea's ICT exports hit all-time highs in 2022," released by the Ministry of Trade, Industry and Energy (January 13, 2023)

# OPERATION REVIEW



Korea Eximbank, as an official export credit agency, provides comprehensive loan, guarantee and other various financial services to support Korean companies conducting global business. Furthermore, Korea Eximbank is responsible for the operation of two government-entrusted funds, namely the EDCF and IKCF. The Economic Development Cooperation Fund (EDCF) is a Korean Official Development Assistance (ODA) program, while the Inter-Korean Cooperation Fund (IKCF) is an economic cooperation program to promote exchanges with North Korea.

Export Credit .....	026
EDCF Economic Development Cooperation Fund .....	054
IKCF Inter-Korean Cooperation Fund .....	068

A person wearing blue nitrile gloves is holding a square microchip. The chip is black with a grid of gold pins. The background is a blurred blue-toned image of a person's face and hands. There are several blue horizontal bars of varying lengths scattered across the page.

Overview .....	028
Innovative Growth Industries .....	029
Maritime Financing .....	031
Infrastructure & Plant .....	033
Natural Resources Development .....	039
Small & Medium Enterprises .....	040
Interbank Credit Facility .....	045
Investment .....	047
Supporting Activities .....	050

# EXPORT CREDIT

Total Disbursement  
in 2022

76.5

KRW trillion

\* Loans and Guarantees (excluding investment)

Disbursement to the  
Innovative Growth

22.5

KRW trillion

Disbursement to the  
Maritime

11.9

KRW trillion

Disbursement to the  
Infrastructure & Plant

9.2

KRW trillion

Disbursement to the  
Natural Resources  
Development

708

KRW billion

Disbursement to  
SMEs

34.0

KRW trillion

Investment

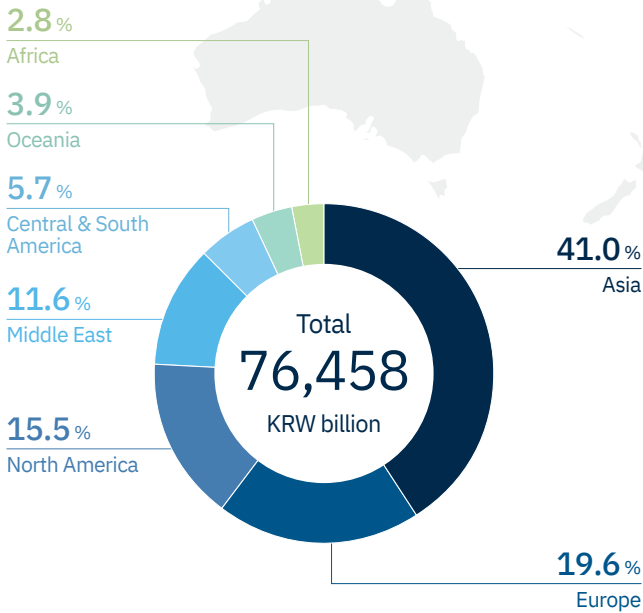
217.3

KRW billion

# Overview

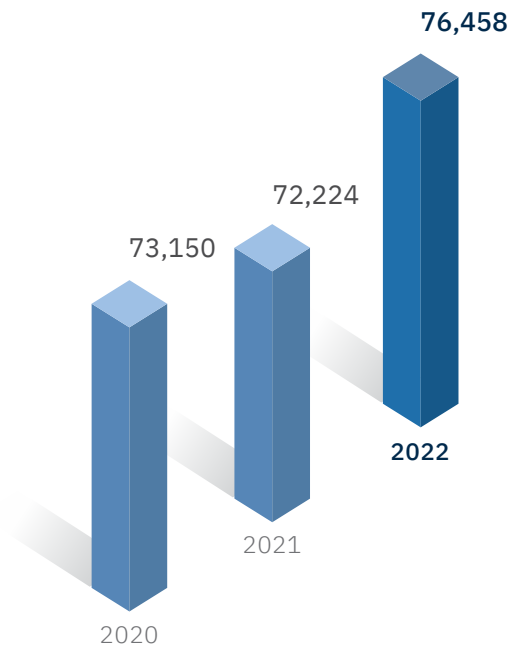
In 2022, Korea Eximbank established its core business goals in line with the government agenda, announcing a focus on supporting promising sectors to further boost exports, responding to global supply chain uncertainties and taking action on unexpected liquidity shortages. Under these core goals and tasks, KEXIM provided total funding of KRW 76.7 trillion, exceeding the initial target of KRW 69 trillion by 11%.

**Total Disbursements by Region in 2022**

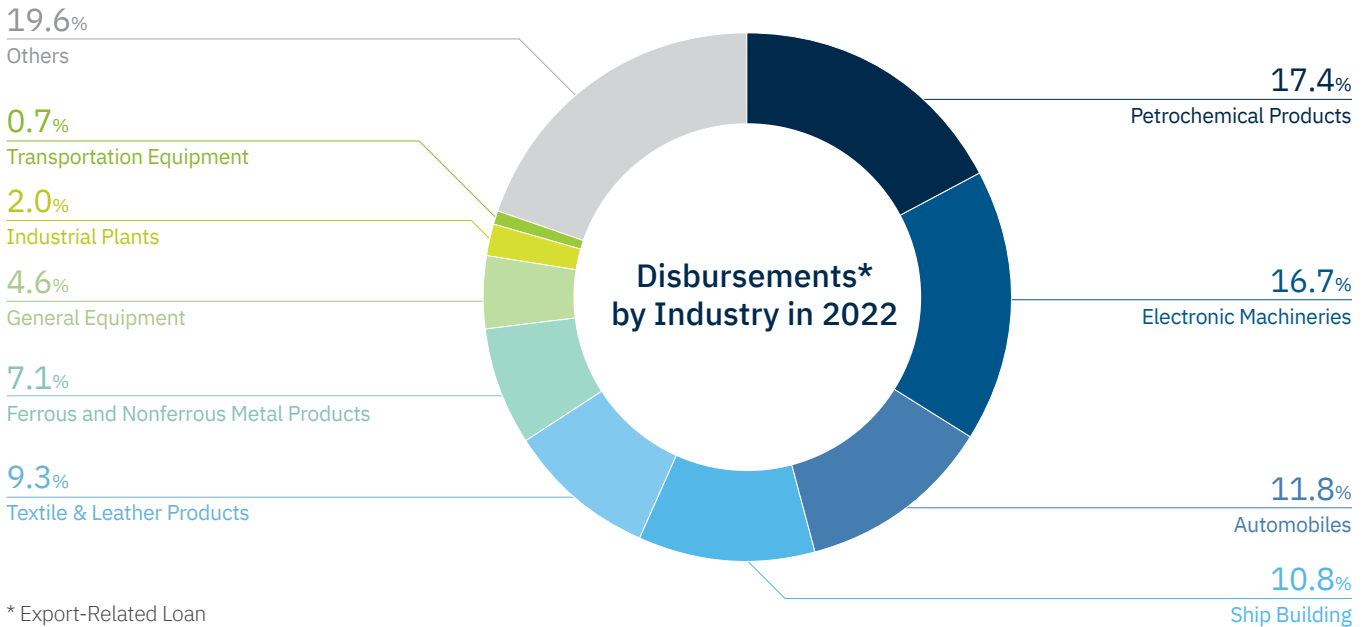


\* Loans and Guarantees (excluding investment)

**Total Disbursements in 2022** (Unit: KRW billion)

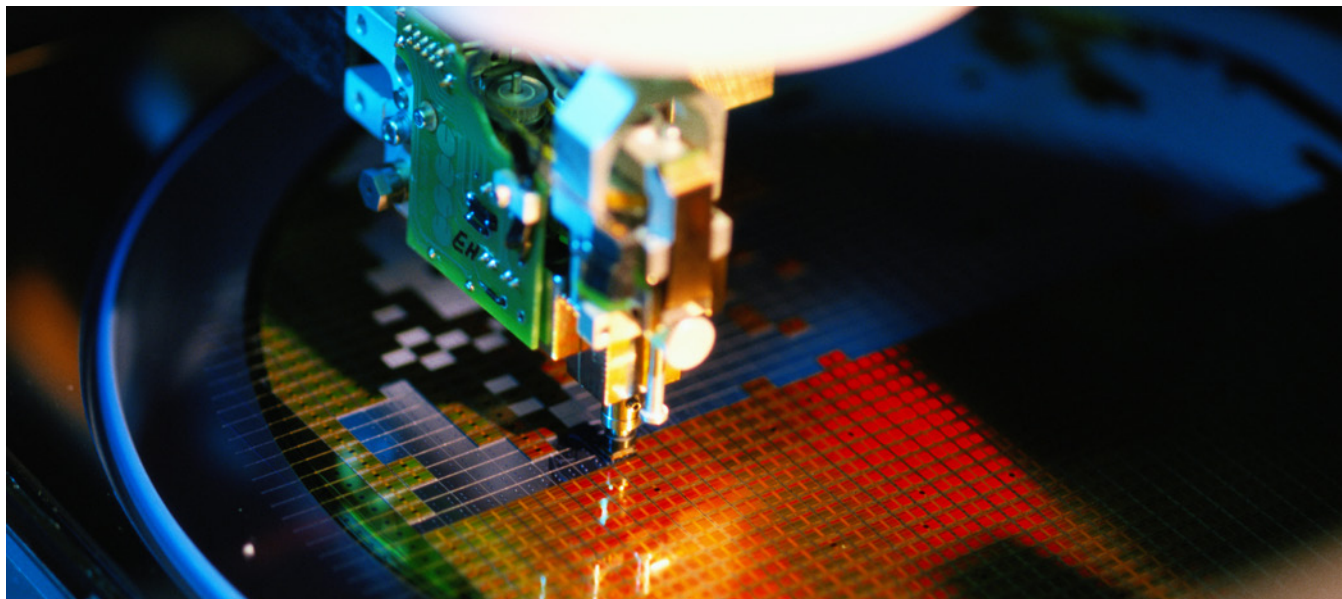


\* Loans and Guarantees (excluding investment)



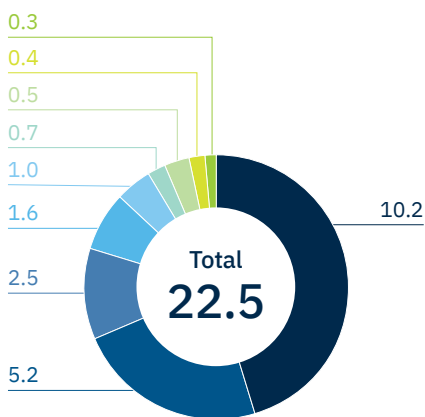
\* Export-Related Loan

# Innovative Growth Industries



## Sector Disbursements

(Unit: KRW trillion)



- Advanced Manufacturing & Automation
- Energy
- Electricity & Electronics
- Healthcare
- Knowledge Service
- Chemistry & Advanced Materials
- Environment & Sustainability
- Sensors & Measurements
- ICT

## Facilitating Innovative Growth in 2022

Korea Eximbank has been improving its Innovative Growth Industries framework since 2017 to meet quickly changing demand and in consideration of the growth levels seen in this area. Sectors included in this framework are given priority each year to reflect current trends in cutting-edge technology.

To ensure the relevance of the support that the Bank extends to the Innovative Growth Industries, the Bank has selected the nine following priority sectors:

The Bank extended KRW 22.5 trillion to these priority sectors in 2022, a 21.6% increase over the previous year. In particular, disbursements in both Advanced Manufacturing & Automation and Energy, which are critical channels to developing other related industries and creating jobs, totaled KRW 15.4 trillion.

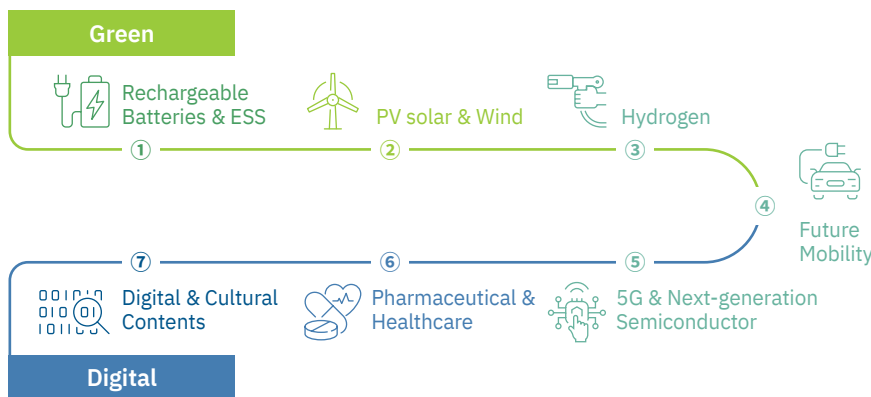
The Bank also provides various financial solutions tailored to each of its client companies' growth stages with the aim of helping them gain competitiveness in overseas markets, beginning with development of core technology and spanning production, sales, expansion and globalization.

The Korean New Deal is a national developments strategy introduced in 2020 to lead the global action against changes by the pandemic crisis that accelerated the transition towards a digital economy, as well as to step forward together with a growing demand for a green economy. The Korean New Deal consists of two main policy pillars – the Green New Deal and the Digital New Deal. The former aims to achieve net-zero emissions and to accelerate the transition towards a low-carbon and green economy, while the latter is to further strengthen the country's digital capabilities by leveraging its competitive edge in information and communication technology.

Along with the government strategy, the Bank has adopted the nature of Korean New Deal and has launched in 2021 the K-New Deal Global Facilitation Program with Green New Deal and Digital New Deal sectors among IGI.

The K-New Deal Program has seven focus sectors that each represent an investment trend toward green and advanced technology:

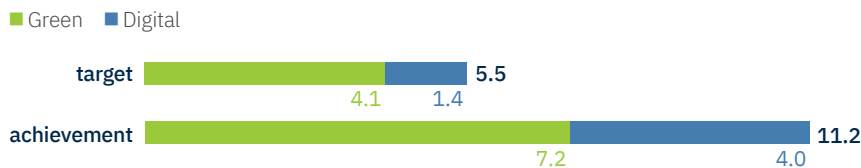
**Sector Breakdowns**



Total disbursement under the Program has reached KRW 11.2 trillion, which exceeded 2022 disbursements target by 203.6%, and representing 19.0% of all Bank disbursements in 2022.

**K-New Deal Global Facilitation Program Disbursements and Achievement Rate**

(Unit: KRW trillion)

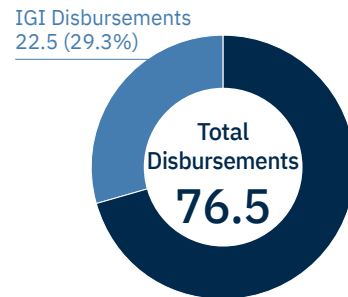


**2023 Business Plan**

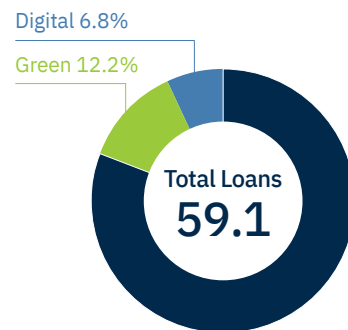
In 2023, in follow-up to the revision of the Common Criteria for Innovative Growth, the Bank will revise its internal Innovative Growth Industries framework to reflect the newest industrial and technological trends while strengthening policy alignment with the Korean government. In 2023, the Bank plans to increase spending related to the Common Criteria for Innovative Growth by 14.2% over previous year target levels.

**Annual Disbursements to the Innovative Growth Industries**

(Unit: KRW trillion)



**K-New Deal Disbursements 11.2 trillion (19.0%)**



# Maritime Financing



## Disbursements to the Maritime Sector in 2022

KRW **11.9** trillion

### Revitalizing Korea's Shipbuilding & Shipping Industries

Strong demand in shipbuilding & shipping markets continued through 2022. Although the quantity of new ship orders decreased by 19.2% from the previous year, the gross order price increased 6.0% driven largely by container vessel and LNG carrier demand. Tightening environmental regulations (i.e., IMO SOx regulations, EEXI requirements) have pushed replacement of old vessels with eco-friendly models, speeding up new orders from shipowners. Korean shipbuilders proved their technological prowess in the Very Large Container vessels, LNG carriers, VLCCs (Very Large Crude Carriers), and eco-friendly vessels categories by procuring 15.7 million CGT (Compensated Gross Tonnage) worth of orders, capturing the second largest share (36.7%) by nationality in the global shipbuilding market.

Korea Eximbank provided financing for various shipbuilding projects, including liquefied natural gas (LNG) carriers, containerships, and tankers. KEXIM's shipbuilding financing mainly consisted of export credit agency (ECA) financing, which accounted for 11.6% of the bank's overall financing portfolio in 2022, while disbursements reached KRW 11.9 trillion. In addition, KEXIM also provided various forms of direct financing, including pre-shipment loans, shared growth loans (or network loans), and technological upgrading loans.

Korea Eximbank is globally recognized for its flexibility in implementing financial instruments catered to the requirements of shipping companies. The Bank has been providing customized financial solutions to its clients in forms of loans and guarantees, which are also compliant with the requirements under the OECD

Arrangement as an ECA. The Bank is proud to have participated in several landmark deals in 2022; these deals included tax lease structures and backed global shipping companies in their purchase of new eco-friendly LNG carriers from Korean shipbuilders.

Korea Eximbank endeavors to keep step with rapidly changing global standards in the shipping industry. Last year, the Bank has financed 74% of its total commitment amount in 2022 to support eco-friendly vessels. The Qatar LNG Project, previously delayed due to the coronavirus pandemic, officially kicked off in early 2022. The Bank provided guarantees for 28 eco-friendly LNG carriers to Korean shipbuilders and partnered with KDB to provide up to USD 1.35 billion in ship finance to a K-Consortium of three Korean shipping companies. KEXIM also successfully financed new-build deals for the world's first Methanol dual-fuel Container vessels and the world's second LNG dual-fuel VLCCs (Very Large Crude Carrier).

## 2023 Business Plan

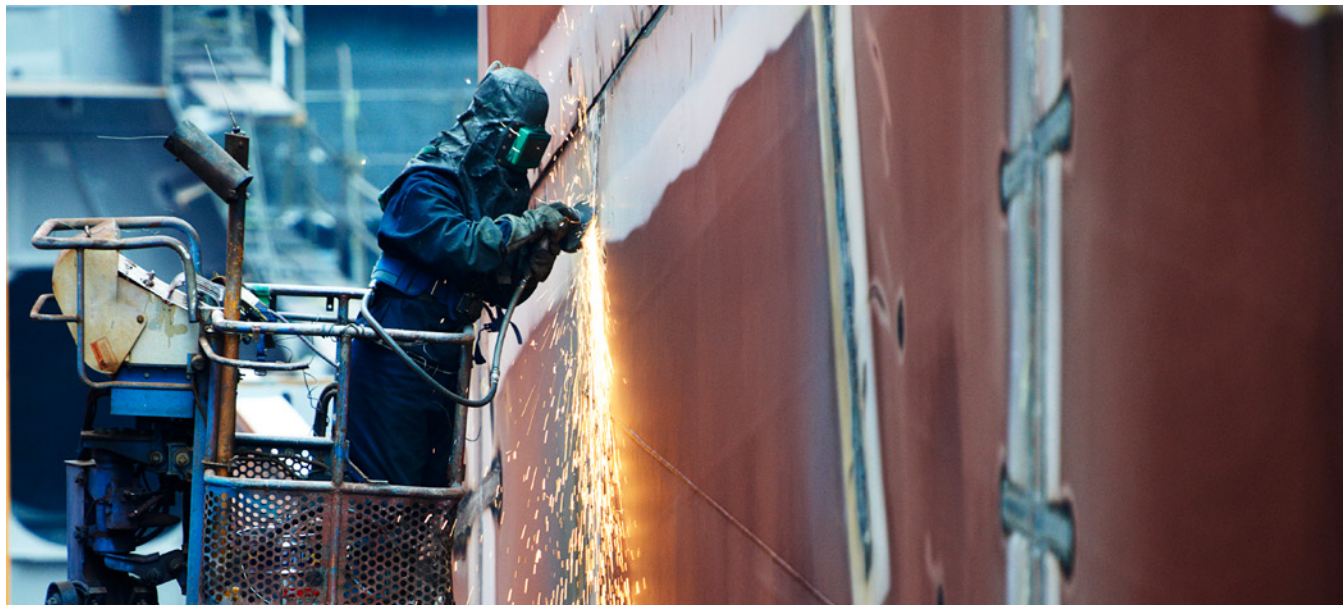
In 2023, the Bank will continue to monitor market trends and apply flexible financing techniques in line with the changing business environment. The Bank also plans to provide KRW 6.9 trillion in credit for the maritime industry. The Bank is also keen on backing major Qatar LNG projects that are expected to launch in the coming months. Over the mid to long term, as worldwide green initiatives prompt the shipping industry to make strategic decisions, shipbuilders are anticipating stable global orders, while attentively making further investments in eco-friendly, energy-efficient technology. In line with these changes, the bank will also support further development of a sustainable maritime industry.

## Total Amount of New Shipbuilding Contracts

(Unit: USD billion)

2018	27.0
2019	22.8
2020	19.5
2021	44.2
<b>2022</b>	<b>46.2</b>

\* Clarkson Research Services Limited 2023





# Infrastructure & Plant



## Disbursements to the Infrastructure and Plant Sector in 2022

USD **7.1** billion

(equivalent to 9.2 KRW trillion)

## Seizing Opportunities in a Moment of Transition

Amidst a gradual lifting of Covid-19 restrictions in 2022, key economies began to tighten monetary policies and raise interest rates, triggering a worldwide shock to the capital markets. In addition, Russia's war on Ukraine set off a stream of supply chain disruptions which escalated global economic uncertainty. Despite the unfavorable conditions at hand, Korea Eximbank provided strong support to Korean construction and engineering companies in the infrastructure and plant sectors. As a result, the Bank contributed to Korean businesses procuring more than USD 30 billion for the third consecutive year. The Bank disbursed over USD 7.1 billion (9.2 KRW trillion) in loans and guarantees to these businesses, which secured approximately 30% of all overseas procurement during the year totaling USD 31 billion.

In the midst of change, the Bank supported Korean companies in creating new opportunities by expanding coverage and diversifying the Bank's portfolio. Above all, in line with global net-zero trends as well as the Bank's own ESG Management Roadmap, the Korea Eximbank increased financial support for clean growth and renewable energy exports. For example, the Bank provided the first equity and debt project finance arrangement for a photovoltaic plant(Chile) and subsea high-voltage direct current network project(UAE). The Bank will continue offering optimal support to Korean companies to build a track record in the global green energy markets while expanding the footprint of Korean businesses.

At the same time, Korea Eximbank maintained a diverse investment portfolio covering infrastructure and plant projects not just in traditionally high-demand Asian and Middle East markets, but also in the United States, Mexico, and Chile. Through these projects, the Bank has provided Korean companies with a strong foundation to build a global track record. Going forward, Korea Eximbank intends to pursue strategic renewable energy projects in other markets such as Latin America.

## Extensive Support for Korean Construction Businesses in Overseas Markets

### Guam Ukudu Combined Cycle Power Plant Project

First, the Korea Eximbank supported the overseas expansion of Korean companies by financing a Public-Private Partnership (PPP) project with Korean companies participating as lead stakeholders. In January, the Korea Eximbank approved a USD 259 million loan toward the Guam Ukudu Combined Cycle Power Plant Project, which will be carried out by the Korea Electric Power Corporation and Korea East-West Power consortium.



Dededo area, Guam



Groundbreaking Ceremony for Guam Ukudu Project

The project plans to build a 198 MW combined cycle power plant in the Dededo area located in the northern part of Guam. Upon completion, the plant is expected to become the largest base load power plant responsible for more than 40% of the power supply in Guam.

The plant will also improve air pollution by replacing the existing heavy oil power plants and work as a bridge for transition from fossil fuels to renewables as the main source of power.

In addition to a Korean consortium as the project's sponsor, Korean businesses are involved in all areas of the project in Guam. Doosan Enerbility will play a dual role as the EPC contractor and O&M technical service provider. Inclusive of revenues



MENA region, UAE

from the EPC contract, export of Korean hardware components, and dividends for sponsors, the Guam Ukudu Combined Cycle Power Plant Project is expected to result in total revenue of USD 550 million for Korean businesses.

### UAE Subsea HVDC Transmission Network Project

In September, the Korea Eximbank approved the financing of USD 1.2 billion via a project financing (PF) arrangement to a subsea HVDC transmission network project in the UAE, a deal awarded the 2022 Deal of the Year by PFI (Project Finance International) and IJ Global (Infrastructure Journal Global). This project also involves a number of Korean participants including the Korea Electricity Power Corporation (KEPCO) and Samsung C&T Corporation.

KEXIM had actively expressed interest in financing the project since the bidding stage. The Bank is now on track to provide a comprehensive financial service of USD 1.2 billion in project finance loans that account for approximately 37.4% of the project’s total liability, along with USD 680 million in performance guarantees.



“PFI Award 2022” awarded to UAE Subsea HVDC Transmission Network Project

This KRW 5.4 trillion mega-scale infrastructure project forms a piece of the UAE’s 2050 Carbon Neutral Strategy. It will allow Abu Dhabi to decarbonize and replace oil and gas facilities with more environmentally sustainable sources of energy through a subsea power transmission system. The project is expected to result in a 30% reduction of carbon emissions by replacing existing gas power generation facilities with eco-friendly power.

The subsea HVDC transmission network project in the UAE is also a feat for Korean finance; it is Korea’s first-ever case of participating in a subsea HVDC transmission network project in the MENA (Middle East and North Africa) region. Team Korea, a unit of public power generation company, construction companies, and financial institutions, has successfully collaborated to generate results in this innovative growth industry. The project will serve as a catalyst for Korean companies to gain new growth potential and acquire new business opportunities globally.

## Saudi Arabia Jafurah Cogeneration Project

In December, Korea Eximbank made a credit approval of USD 270 million for a Cogeneration Project located in Jafurah (“Jafurah Cogeneration Project”), a gas field approximately 400 km east of Riyadh, the capital of Kingdom of Saudi Arabia.

This project is a part of the Jafurah Gas Plant Project, which is strategically pursued by Kingdom of Saudi Arabia to reduce its dependence of crude oil. After completion, the project is expected to generate 317 MW of electricity and 694 klb per hour of steam, energy that will then be used to operate the Jafurah Gas Plant.

Korea Electric Power Corporation (“KEPCO”) is the Sponsor and the O&M Contractor of the project. Doosan Enerbility also participates in the project as the EPC contractor. Korean companies are optimistic that this project will serve as a stepping stone for additional power generation project opportunities in the Kingdom of Saudi Arabia.



Riyadh, Kingdom of Saudi Arabia

## Indonesia RDMP Balikpapan Project

In December, Korea Eximbank approved USD 1,190 million toward the RDMP Balikpapan Project, a project undertaken by a joint venture with Hyundai Engineering & Construction (HEC) as one of its stakeholders. The project was launched as part of the country’s Refinery Development Master Plan by PT Pertamina (Persero) (“Pertamina”), Indonesia’s national oil company. It entails expanding the capacity of the existing refinery from 260,000 barrels per day (bpd) to 360,000 bpd.

Korea Eximbank has channeled resources toward the RDMP Balikpapan Project since its earliest stages. The Bank provided a USD 100 million loan to the Pertamina in 2019 and issued several performance guarantees to HEC to contribute to the successful launching of the Project during the Covid-19 pandemic. Upon completion, the Project is expected to supply refined petroleum products to Indonesian domestic market, thus reducing its reliance on imports, and satisfy higher environmental quality standards (Euro V) for fuels.

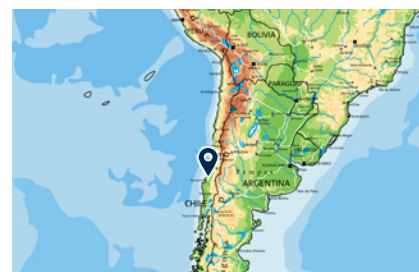


Balikpapan Indonesia

## Supporting Korean Business with Targeted Financial Services

### Chile PMGD Photovoltaic Plant Project

The Korea Eximbank has combined financing tools to deal with various financial needs of Korean businesses and the Chile PMGD photovoltaic plant (phase 1, 2) project is an exemplary case. The sponsors, both Korea South-East Power Co. and Sprott Korea Investment Corp., needed various financing tools such as debt lending and equity injection as they were planning to utilize a unique Chilean renewable energy program. Moreover, the sponsors faced the burden of weighing the risks of venturing into Latin America, a region without any proven track record at the time.



Chile

The Korea Eximbank acted as an anchor for Korean sponsors pioneering this new market by providing not only significant loans but also injecting equity capital to directly share the inherent risks.



Construction of PMGD Photovoltaic Plant in Chile

To mitigate conflict of interest arising from a clash of views as lender and sponsor, the Korea Eximbank successfully closed the deal by setting up a Chinese wall between the two different departments separately handling the debt and equity components. This project is another addition to an expansive track record aiding Korean businesses in their overseas ventures with creative financing schemes.

### **Facility Agreement**

In 2021, Korea Eximbank and the Abu Dhabi National Company (“ADNOC”) agreed to enter into a Framework Agreement to establish a financing program of up to USD 5 billion. The purpose of this program is to provide financial support for ADNOC’s projects involving Korean companies, with Korean businesses expected to participate in export and import of essential resources, co-investments, and any other business opportunities.

Within the limits of the USD 5 billion Framework Agreement, Korea Eximbank and ADNOC entered into a separate Facility Agreement worth USD 3 billion in 2022. Korea Eximbank plans to leverage this arrangement to engage Korean businesses in ADNOC’s large-scale energy infrastructure projects abroad.

## Special Account

The Korea Eximbank has acted on its role as an export credit agency to partner with Korean businesses in their overseas business initiatives, offering a range of financial services to meet their niche requirements each time.

The Bank has enhanced economic cooperation through a range of channels including the Economic Development Cooperation Loan (EDCL) under Special Accounts; the Special Accounts category was established in June 2019 per government plans and in response to calls from Korean businesses. It is a separately managed account and enables the Bank to promote Korean companies' business in countries with relatively high risk profiles. The Bank plans to take this opportunity further, actively supporting medium and long-term projects in countries that are expected to show high growth and build economic ties with Korea.

In March, the Bank committed USD 151.6 million from Special Account funds to the Tanzanian Government for procurement of 80 electric multiple units and 17 electric locomotives from Hyundai Rotem. The vehicles will be the first electric trains in Tanzania and will be operated on Tanzania's newly built standard gauge Railway connecting Dar es Salaam, the capital, and Makutupora, an administrative ward of the country's Dodoma Region.

In December, the Bank approved a USD 110 million loan to Sonangol, an Angolan state-owned enterprise, for the country's procurement of two crude oil tankers from Hyundai Samho Heavy Industries. In consideration that the oil industry makes up more than 90% of all Angola export earnings, these vessels are expected to not only contribute to Angolan economic development but also build Korea-Angola business ties.

## 2023 Business Plan

In 2023, Korea Eximbank will continue to strive to support Korean companies and industries as they tackle economic uncertainties and a volatile financial market. First, in line with the Bank's own ESG Management Roadmap, the Korea Eximbank will roll out green financing projects toward achieving a target of providing KRW 180 trillion in ESG-related loans by 2030. The Bank will fully support financing and delivery of pipeline projects in solar power, nuclear power, eco-friendly water treatment, ensuring that these projects result in green energy reaching more end users.

Rising oil prices are expected to create additional infrastructure project opportunities in the Middle East. By providing end-to-end financing options that cover the entire business cycle, the Bank hopes to elevate Korean business presence in this region. Lastly, the Bank will introduce a wider range of services that can strengthen Korean economic security and mitigate ongoing supply chain challenges, backed by the aspiration that these efforts create mutual benefits for Korean exporters and foreign buyers alike.

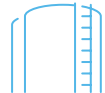
### Special Account Funds Approved in 2022

Procurement of 80 electric multiple units and 17 electric locomotives in Tanzania



USD 151.6 million

Procurement of two crude oil tankers to Sonangol



USD 110 million

# Natural Resources Development



## Disbursements to the Natural Resources Sector in 2022

KRW **708** billion



Signing of MOU between Korea Eximbank and GS Energy

## Tackling Supply Chain Disruption Risk

Korea Eximbank finances natural resources projects involving Korean entities and its subsidiaries in all stages of development from exploration and production to refining and storage.

The Bank's commitments and disbursements to the natural resources sector totaled KRW 607 billion (USD 470 million) and KRW 708 billion (USD 549 million), respectively in 2022.

To tackle supply chain disruption risk, Korea Eximbank reached out to global commodity traders and miners to secure critical supplies of minerals and other commodities. Following a successful financing arrangement of USD 150 million to commodity trader Trafigura in 2021, the Bank also provided USD 100 million financing to Sociedad Quimica Minera de Chile S.A.(SQM), the world's second-largest lithium producer in September, ensuring the flow of lithium to Korea.

Korea Eximbank also co-financed KRW 250 billion (USD 193 million) out of a total KRW 600 billion (USD 463 million) facility to POSCO Pilbara Lithium Solution's domestic lithium processing plant in November. This financing will allow development and commissioning of a 43,000 ton per annum lithium hydroxide (LiOH) facility in Gwangyang, South Korea.

Korea Eximbank and GS Energy entered into an MOU in September, by which the Bank will provide up to USD 1 billion in financial support for the energy company to build LNG plants and LNG storage facilities as well as develop blue ammonia, hydrogen, and other decarbonization projects. This MOU with GS Energy is expected to make a tangible upgrade to national resource security and also contribute to Korea's green energy transition, results that align with the goals of the National Program for Resources Development set by the Korean government as well as the carbon neutral strategies of GS Energy.

## 2023 Business Plan

In 2023, Korea Eximbank will continue to support Korean companies directly in their business activities and in strategic initiatives to stabilize the national supply chain. With global supply chain risks an ongoing threat, the Korea Eximbank will seek to provide KRW 2.8 trillion in loans in 2023. Key tasks in the year ahead include securing a diverse portfolio of resources to directly benefit Korean businesses, and keeping track of rising oil and other commodity prices to update financial models.

# Small & Medium Enterprises



## Support for SMEs

SMEs have been particularly vulnerable to the concurrent shock of high interest rates, increasing inflation, and supply chain disruption following the COVID-19 crisis. Heavier debt burden, combined with higher energy and raw material costs, have taken a toll on the profitability and cash flows of SMEs to the extent that their viability has come into question. In line with the Korean government's efforts to support the recovery of SMEs from economic damages caused by these threats, the Bank strived to provide necessary liquidity for SMEs to sustain their businesses.

Loans extended to SMEs in 2022 reached KRW 31.8 trillion (USD 25.1 billion), accounting for 53.7% of total loans provided by the Bank. Credit volume, including loans and guarantees extended to SMEs, summed to KRW 34.0 trillion, representing 44.4% of the Bank's total credits. Korea Eximbank was the only financial institution to be awarded a presidential commendation at the 2022 Korea Convention for SMEs in May 2022, in recognition of contributions to support SMEs beginning with the Covid-19 pandemic and stretching through more recent economic shocks.

In an effort to effectively address the urgent liquidity needs of SMEs affected by soaring prices of raw materials and supply chain bottlenecks aggravated by the war between Russia and Ukraine, the Bank launched two emergency support programs in March 2022: (i) "Liquidity Support Program" for SMEs suffering from the impacts of the war, and (ii) "Special Global Supply Chain Support Program" for SMEs negatively affected by supply chain disruption. These programs have provided the affected SMEs with low-interest working capital loans and loan maturity extensions which

### Loans to SMEs in 2022

KRW **31.8** trillion

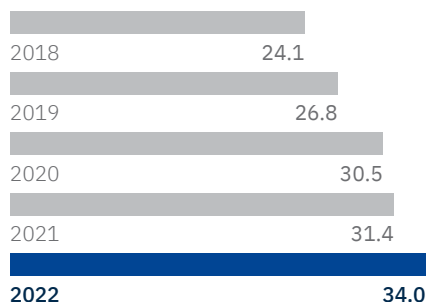
### Percentage of Total Volume of Credits to the SMEs

2018	41.6%
2019	44.7%
2020	41.6%
2021	43.4%
<b>2022</b>	<b>44.4%</b>



### Annual Disbursements to the SMEs

(Unit : KRW trillion)



amounted to KRW 1.6 trillion in 2022. Moreover, the Bank initiated the “Special Interest Rate Reduction Program” in August 2022 to ease SMEs’ financial burdens in light of global interest rate hikes, resulting in total loan volume of KRW 720.4 billion to 254 companies in 2022.

The Bank’s plan to support SMEs has taken more concrete shape following the government’s announcement of a SME support policy in 2022. For the Bank, the most recent policy implies a focus on maximizing its financing impact as a policy-based bank and thus differentiating its role from that of commercial banks. Through this plan, the Bank successfully helped export beginners complete their inaugural export transactions, and while aiding more experienced SME exporters expand their market share in the global market. Initiatives led by the Korea Eximbank related to SMEs have been focused on industries which are considered Korea’s new growth drivers, such as semiconductors, 5G wireless communication, future mobility, renewable energy, biotechnology, and secondary batteries.

Separately, the Bank’s other programs such as the Hidden Champion Initiative and the Shared Growth Program act as strategic schemes to incubate globally competitive SMEs, thereby expanding the presence of SMEs in the Korean economy. Through the Hidden Champion Initiative, the Bank hopes to set up a ladder of growth that will enable SMEs to grow into small but strong players in the global market. Meanwhile, the Shared Growth Program is designed to foster an economic environment in which large companies and SMEs can grow together as genuine partners.

### Shared Growth Program in 2022

KRW **2.7** trillion

### Number of Participating Companies

**678** companies

### The Shared Growth Program in 2022

“Shared Growth” refers to a collaborative effort among large companies and SMEs to identify and support SMEs with high growth potential, with a view to preserving and improving the business ecosystem over the long term.

Launched in 2011, the Shared Growth Program has focused on creating a more favorable business environment for SMEs by encouraging joint participation in global business opportunities with larger counterparts. The program draws much of its strength from the active participation of large corporations. The Bank has successfully enlisted 41 companies in the program.

Representative participants include LG Display, Samsung Heavy Industries, and Hyundai Samho Heavy Industries as large companies, together with their partner SMEs. Given these renowned businesses’ commitment to partnership, the Bank is also confident that its contributions will result in tangible results of large companies and SMEs advancing into global markets hand-in-hand. Such opportunities are expected to allow SMEs to receive financial support even in indirect overseas activities where the larger partners take lead. Under the Shared Growth Program, the Bank provided KRW 2.7 trillion in support of 678 participating companies in 2022.

## Hidden Champion Initiative

Since the commencement of the Korean Hidden Champion Initiative in October 2009, the Bank has selected SMEs with advanced technologies and high growth potential as Hidden Champion candidates and helped them become Korean Hidden Champions by providing customized financial and non-financial services. Through this system, the Bank is able to better understand and more closely evaluate company capabilities including excellence in their respective sector, growth potential, independence in carrying out business activities, and contributions to national economic development. In 2022, 17 SMEs were newly appointed as Hidden Champion candidates, bringing the total participating SMEs to date to 252. In 2022, the Bank provided Hidden Champions with KRW 8.9 trillion in financing, an increase of 13.6% compared to KRW 7.9 trillion in 2021.

### Hidden Champion Initiative in 2022

KRW 8.9 trillion

### Number of participating companies

252 SMEs

## 2023 Business Plan

The Bank will focus on two missions in 2023, in order to strengthen SMEs' export competitiveness in the global market. First, it will continue to operate two emergency support programs and a Special Interest Rate Reduction Program, given the ongoing impact of external shocks including high interest rates and inflation. In addition, in order to help SMEs to hedge against foreign exchange risk, the Bank will offer a loan currency conversion option which enables these SMEs to convert foreign currency-denominated loans to other foreign currency(including Korean won)-denominated loans. Second, the Bank will provide innovative industries such as system semiconductor and biotechnology with tailor-made financing solutions from Working Capital & Capex loans to performance guarantees. Such strategic provision of financing will help SMEs to grow into more competitive companies in the global market and, thus, contribute to boost Korea's export and economic growth.

## Trade Finance

During the three year period from 2020 to 2022, the Bank has increased trade finance volume by 9.2%, covering rediscounts on trade bills, export forfaiting, export factoring, supply chain finance and letter of credit (LC). Trade finance has played critical role to allow Korean companies to maintain their international business throughout the pandemic crisis. In 2022, disbursements of trade finance totaled KRW 10.3 trillion (USD 8.0 billion).

Regarding rediscounts on trade bills, the Bank expanded volume by 12.8% in 2022 over the previous year to boost support for Korean SMEs. The Bank provided a total of KRW 3.3 trillion (USD 2.5 billion) to commercial banks by discounting promissory notes, encouraging them to actively purchase trade bills from SMEs.

Total disbursements of Export Forfaiting and Export Factoring reached KRW 4.6 trillion (USD 3.6 billion) in 2022 to meet demand from Korean exporters for non-recourse financing facilities.

### Trade Finance in 2022

KRW 10.3 trillion

## Supply Chain Finance

2022

6 companies

USD 270 million

2021

4 companies

USD 69 million

With regard to Supply Chain Finance, the Bank first entered the digital supply chain finance market in 2021 when it launched a USD 30 million revolving credit facility with Deutsche Bank. Since the inaugural transaction in 2021, the Bank has expanded both transaction volume and beneficiary pool, growing the business from USD 69 million with four companies in 2021 to USD 270 million with six companies in 2022.

Moreover, the Bank went forward to launch an online supply chain factoring program for local SMEs engaged in indirect exports at the end of 2022. It expects the program to contribute to strengthen the value chains of local businesses in the global supply chain.



Signing of MOU between Korea Eximbank and Douzone

The Bank will continue to develop supply chain finance in order to accommodate the diversified needs of Korean exporters for trade finance, and by extension boost competitiveness of Korea's export-driven economy.

For the support for import transactions, the Bank actively met demand for Letters of Credit (LC), increasing volume by 3.1% over 2021. Letters of Credit were provided to Korean companies to ensure the stable supply of essential materials and major resources amid fluctuating exchange rate and growing inflation.

## International On-Lending Program

On-lending is a type of indirect loan provided by the Bank to Intermediary Financial Institutions (IFIs), which in turn extend these funds in the form of sub-loans to Korean SMEs engaging in foreign trade. Since 1978, the Bank has provided indirect loans to foreign banks under the Interbank Credit Facility Program. More recently, the Bank expanded its indirect loan offering in 2015 by introducing an International On-lending Program, which aims to facilitate international business by Korean companies in partnership with local banks.

Since 2015, the Bank has closed a total of seventeen on-lending agreements with nine domestic and eight overseas IFIs, adding two IFIs in 2022. As the Bank's online on-lending system has grown, disbursements under the On-lending Program have recorded a total of KRW 5.9 trillion toward 4,441 SMEs.

Additionally, the Bank implemented two new initiatives under the On-Lending Program in 2022 in line with government economic policy, adding to four existing initiatives for local and early-stage SMEs introduced in 2020 and for SMEs in promising export sectors and at the early stage of exporting introduced in 2021. Eligible SMEs are entitled to preferential interest rates on the condition that they either do business in ESG-oriented or future strategic industries. The amount of financing through those initiatives has noticeably increased, totaling KRW 672 billion in 2022.

To help the Bank better respond to contactless business trends that arose during the Covid-19 crisis, a digital platform was launched on December 1, 2021 that complements the Bank's Digital EXIM objectives and international On-Lending programs. The platform allows potential SME clients to quickly check their eligibility for the program and ESG initiative while allowing IFIs to monitor the screening process of the Bank as well as review credit line information. Moreover, by offering SMEs a means to easily submit their export and import track record certificates online, the platform improves financial access of SMEs to policy loans.

In the coming year, the Bank will aim to provide KRW 6.3 trillion in loans to SMEs by expanding its network with both local and foreign IFIs, while continuing its work to support SMEs enhance their competitive edge.

## 2023 Business Plan

In 2023, the Bank plans to act on its policy commitments by extending customized financing and digitalizing essential services. The Bank will place a heavier focus on the On-lending Program for banks and SMEs located in local areas through the Program's six initiatives responding to the economic policy of government. Moreover, it will also expand its customer base as well as achieve operational efficiency through close cooperation with commercial banks, bringing products such as Secondary Export Forfaiting and Factoring to market.

The Bank will accelerate the digitization of trade finance services to keep current with the latest trade finance trends. It will fully activate the online supply chain factoring program launched in 2022 to allow marginalized SMEs in indirect exports to benefit from policy funds. Finally, the Bank will constantly upgrade its digital service platform and internal processes to improve accessibility for SMEs to policy funds and proactively manage risk.

### On-lending Program in 2022

KRW **5.9** trillion

### Number of participating companies

**4,441** companies

# Interbank Credit Facility



Credit Lines Established as of the end of 2022

USD **7.67** billion

**14** countries

**28** banks

## Facility Expansion in both Volume and Diversity

Interbank Credit Facilities are financing packages extended to creditworthy local banks outside of Korea, aimed at supporting Korean exporters and Korean businesses overseas. Through counterparty local banks, Korea Eximbank provides loans to local companies for the payment of goods or services imported from Korea; to overseas Korean subsidiaries for their operations in the foreign country; to local companies conducting Korea related businesses; and to local companies providing key commodities or equipment to Korea.

In 2022, despite volatile international capital market conditions, demand for the Interbank Credit Facility remained firm, continuing to support Korea's exports and businesses overseas. Credit lines with 14 banks in 9 countries totaling USD 3,210 million were newly established. It is worthwhile noting that new Interbank Credit Lines were established with banks in Colombia, Mongolia and India, which is a testament to rising financial demand for Korean businesses. The Interbank Credit Facility in India has expanded beyond its initial volume, owing to active utilization of these lines with KEXIM. As of the end of 2022, total volume of credit lines established stood at USD 7,670 million with 28 banks in 14 countries.

Interbank Credit Facilities grew not just in volume but diversity in 2022 to deal with changing market demands. For example, the Import Facilitation Loan Facility was newly introduced to six banks to contribute to sustainable import of key commodities to Korea. Furthermore, a new financing scheme which establishes a credit line with the MDB guarantee program was adopted to provide financial opportunities to countries with lower sovereign credit ratings. Utilizing the scheme, new credit line in Mongolia was approved in 2022 to keep up with potential demand and facilitate Korean export more effectively.

The regional distribution of disbursement exhibited a diversified portfolio. In 2022, disbursements in Latin America and the Caribbean, and Asia remained the largest share, which made up 50.9% and 42.0% respectively; disbursement volume in these regions is supportive of steady trade activity between Korea and these economies. Share of disbursements in Africa increased to 1.1% from 0.7% backed by the post-pandemic economic reactivation. Meanwhile, the disbursement in CIS showed significant drop from 14.3% to 5.9%. The total disbursement amounted to USD 1,469 million in 2022.

Among the Bank's products, disbursements in the Export Loan and the Overseas Business Facilitation Loan categories have been heavily focused in vehicles and electronic device industries. However, efforts were constantly made throughout the year to excavate pilot projects in new industries and seek opportunities to establish new lines in countries with potential demand. Furthermore, measures were taken to increase utilization of the existing credit lines through efforts to maintain strong partnership via resuming face-to-face meetings while focusing on the preemptive risk management as well.

## 2023 Business Plan

In 2023, the Bank plans to expand the Interbank Credit Facility in regions such as the ASEAN and Latin America, where Korean companies are expected to pick up economic activity. The Interbank Credit Facility product will continue to uncover new financial needs and provide customized financial as well as non-financial support to Korean companies to drive export growth.

### Total Disbursement in 2022

USD **1,469** million



# Investment



## Investment in 2022

KRW **217.3** billion

## Direct Equity Investment

The amendment of the Korea Eximbank Act in 2014, which was partly driven by the Bank's efforts to step up its support for Korean companies developing overseas projects and their subsidiaries, eased restrictions on the Bank's participation in equity investment including, but not limited to, mezzanine capital, enabling it to provide comprehensive financing packages accommodating the various needs of its clients.

To carry out the mandates of the Act, the Bank launched the Investment Finance Department and has endeavored to support Korean companies' overseas investment development projects in which Korean entities play roles at every stage from initial development, investment and construction to operation. Furthermore, the Bank worked to support domestic corporations' export transactions and overseas business, including small and medium-sized enterprises (SMEs), by acquiring shares and/or mezzanine securities (e.g. convertible bonds) as well as providing more traditional forms of financing support (i.e., loans and guarantees).

Since the beginning of its operation in investment financing, Korea Eximbank has actively invested in various sectors such as energy, automobiles, biotechnology, electronics, machinery, and textiles. In consideration of the business developments toward Environment, Social, and Governance (ESG) sustainability, innovative-technology industries, and global supply chain management, Korea Eximbank will continue to make persistent efforts for active investment in order to fulfill the mandates of the Korean government while diversifying investment portfolio and investment products.

## Indirect Investment

Not only does the Bank make direct investment in equity shares of Korean companies, but it also plays crucial roles in funding by making indirect investments together with market players.

The aforementioned revision to the Korea Eximbank Act in 2014 enabled the Bank to make commitments to private equity funds. In 2022 alone, the Bank approved investments in a total of 13 funds, including three project funds. The most representative funds are as follows:

### Global Healthcare Project Fund

In order to support promising Korean companies expand overseas businesses, the Bank, in 2022, made a commitment of KRW 20.0 billion (USD 15.8 million) to a project fund. This fund is to acquire RCPS issued by a U.S. medical robot enterprise, which is a Korean company's sub-subsidiary, to ensure that the Korean company can advance into U.S. medical robot market through its sub-subsidiary and ultimately strengthen its competitiveness in global markets as well.

### Core Strategic Industry Fund

The Bank introduced the Global Core Strategic Industries Program in 2021 in order to nurture core strategic industries including sectors such as batteries, bio-products, future mobility and semiconductors. In line with this program, the Bank made a commitment of total KRW 92.9 billion (USD 73.3 million) to 3 funds which have an industry focus on core strategic industries and related supply chains. It is expected these three funds will successfully contribute to secure key raw materials, and rebuild global logistical infrastructure, eventually leading to stabilize the supply chain networks of Korean enterprises. The total fund size of these three funds is expected to be reach a minimum of KRW 1,000.6 billion (USD 789.6 million).

### ESG Fund

Pursuing sustainable values became an essential business priority during the Covid-19 pandemic. The Bank provides ESG financing programs to encourage Korean companies to expand their businesses in the ESG sectors, as well as to contribute to realizing sustainable growth and disseminating ESG values. In this regard, the Bank approved making a commitment of total KRW 85.0 billion (USD 67.1 million) to three ESG-focused funds to help Korean companies improve their competitiveness in the ESG-related industries and participate in low-carbon industrial transition. The total fund size is expected to be reach a minimum of KRW 784.4 billion (USD 619.0 million).



## SME Overseas Expansion Fund

In line with the government's SME support policy, the Bank continues to provide financial support for SME companies to expand overseas business. In 2022, the Bank approved making a commitment of KRW 15.0 billion (USD 11.8 million) to a fund mandated to invest at least KRW 30.0 billion (USD 23.7 million), which is twice the amount the Bank's own commitment, in supporting Korean SME companies expand their businesses overseas. The fund is still undergoing fundraising and has a target size of KRW 100.0 billion (USD 78.9 million).

## 2023 Business Plan

The Bank will continue its effort to nurture innovative growth industries in 2023. As part of this effort, the Bank will launch funds focusing on promoting innovative technologies that have strategic importance in maintaining economic strength of Korea. In addition, the Bank plans to make a commitment to funds that mainly invest in Korean SME companies based in non-metropolitan regions as a means to contribute to balanced national development. Lastly, the Bank will also participate in the Corporate Restructuring Fund IV, a fund aimed at facilitating market-led corporate restructuring, and thereby, enhancing Korean companies' competitiveness in global context.



# Supporting Activities



## Business Development

### Overseas Market Development Support Program

The Korea Eximbank supports feasibility study costs for overseas projects involving Korean equity investments. This program targets clients at the project development stage, and has no specific barriers on sector and project type. Five projects were selected to the program in 2022 through an open competition process. The Korea Eximbank also reimburses Korean businesses for costs incurred due to overseas market research and bidding preparation. Specifically, Market Research funding supports costs involving preliminary research and analysis, including research on project identification, foreign investment climate, and bidding strategy. Meanwhile, Bidding Preparation funding supports costs incurred due to preliminary research for participating in international competitive bidding. The program is only open to SMEs.

## Enhancing Partnership

### Global Partnership to Pioneer ESG Management Among Korean Financial Institutions

The Bank became the first signatory to the Operating Principles for Impact Management (the “Impact Principles”) in 2021 to accelerate ESG-focused management as well as to commit to pursuing Impact Investment as an internal investment principle. Impact Investment is an investment approach that aims to contribute to the achievement of positive social and environmental impact alongside a financial return. The Impact Principles, currently operated by the Global Impact

Investing Network (GIIN), a global organization with 440 members across 59 countries, consist of nine principles that describe investment methods to follow-up, including publication of investment results through a Disclosure Statement.

In November 2022, the Bank became the first institution in Korea to publish an annual Disclosure Statement and Verification Report as designated by the Impact Principles. The Disclosure Statement describes the Bank's strategic impact objectives, management of impact on a portfolio basis, and assessment of each investment, and finally affirms that the Bank's policies and practices are aligned with the Impact Principles although some activities are still under development.

This affirmation only applies to the business activities under the Bank's Sustainable Finance Framework, which sets out the Bank's obligation to finance green and social projects with the funds that are sourced from ESG bonds.

The Bank plans to use these regular Disclosure Statements as motivation to monitor and manage the impact of its investments, thereby building a stronger foundation as leader of ESG management and impact investing among Korea's policy banks.

## Strengthening Networks

With rapid economic changes and global risks in the post-COVID era such as disruption of supply chain, cooperation among partner institutions has taken center stage as a means to address globally urgent issues. Throughout 2022, the Bank was a leading ECA in global context, proactively building its network with multilateral development banks (MDBs), export credit agencies (ECAs), and private financial institutions.

By reopening communication channels and participating in various global meetings, the Bank has enhanced partnerships especially for securing supply chain resilience and sustainability. At these meetings, the Bank has also demonstrated the



Bilateral Meeting with DFC

competence of Korean companies in infrastructure, EV batteries, and eco-friendly ships. In October, the Bank attended the IMF·World Bank annual meeting and shared its ESG policy supporting innovative and eco-friendly industries with IFC, US EXIM, and DFIs. In November, the Bank touched upon its supply chain response program and further cooperative areas and signed a Joint Statement on financial support for green development by the members of the Asian EXIM Banks Forum, a forum established to enhance regional cooperation within Asian ECA community. In December, the Bank discussed with the Australian Embassy and other government officials from Australia in the sector of infrastructure development to seek ways to cooperate in various fields such as development of critical minerals and renewable energy projects given the growing importance of manufacturing of rechargeable batteries and reducing carbon emissions. The Bank also hosted various seminars to introduce its operations and share its experiences, strengthening the Bank's presence in the global financial markets.



Bilateral Meeting with IFC

In March, the Bank signed a MOU with Banco de Desarrollo Exportaciones (BANDEX) to facilitate the export and import between South Korea and the Dominican Republic, utilizing the respective mandates of the two institutions. The MOU includes providing up to USD 100 million toward projects in key industries including infrastructure, ICT, healthcare and agricultural.

In December, the Bank also signed a MOU with the Corporacion Andina de Fomento (CAF) to explore ways to collaborate on strengthening the economies of Latin America and the Caribbean region. Under this MOU, the two signatories will expand their partnership in financial support especially to such sectors as green growth, transportation, natural resources and energy, and engage Korean companies that are eager to pursue opportunities in Latin America but face geographical or cultural barriers.

## Research and Information

The Overseas Economic Research Institute at KEXIM (KERI) has top-tier research capabilities in country risk evaluation, outbound foreign direct investments, ECA policy trends, and key export industries. KERI publishes a series of country issue reports that cover not only country risk profiles but also strategic guidance on foreign investments to emerging markets. The KEXIM World Country Factbook serves as the institute's flagship publication; it is published annually and covers key demographic and economic data for 216 countries, drawn from credible sources such as the IMF and World Bank. Furthermore, KERI's periodical research articles papers covering FDI statistics and industrial trends have gained acceptance among industry and academic professionals. These materials are now available online through the KERI website as well as through a mobile app.

In 2022, the KERI research agenda covered major economic issues such as the impact of the war in Ukraine, US-China trade war, national high-tech strategic industry prospects and key export industry trends. While the global economy faces an extended period of stagnation following the end of the Covid-19 pandemic and the start of the Russia-Ukraine conflict, KERI has issued several up-to-date reports including "The impact of Western sanctions on Russia following the Russian invasion of Ukraine" and "Russian natural gas cutoff to the EU and its impact on Korean economy." KERI research extends beyond region-specific and industry-specific issues, and covers pertinent issues such as the global supply chain and High-tech Strategic industry; recent publications include "Identifying domestic supply chain vulnerabilities through AI-based trade data analysis" and "Battery material market trends and prospects."





Overview .....	056
Policies & Directions .....	057
Commitments & Disbursements .....	059
Major Achievements .....	061
Enhancing Partnerships .....	064
2023 Business Plan .....	067

# EDCF

## ECONOMIC DEVELOPMENT COOPERATION FUND

EDCF Loan  
Commitment  
in 2022

2.4

USD billion

Number of EDCF's  
Partner Countries

58

countries

EDCF Loan Commitment  
by Projects

503

projects

Green

16 projects

1.5

USD billion

Digital

7 projects

1.2

USD billion

Health

7 projects

0.7

USD billion

# Overview



Korea Eximbank is the government-designated executor of the EDCF. In 2022, Korea Eximbank strengthened relationships with developing countries through a total EDCF commitment of KRW 3.1 trillion (USD 2.4 billion), an all-time record high. During the year, EDCF also continued its focus on 'Green, Digital and Health' and introduced the 'Climate Change Response System', reflecting a steadfast commitment to achieve Sustainable Development Goals.

Established on June 1, 1987 by the Korean government to promote economic cooperation among Korea and developing countries, the Economic Development Cooperation Fund (EDCF) has progressively grown its financial support toward partner countries with the ultimate goal to achieve both economic growth and social development.

By leveraging the unprecedented development history of Korea over the past half a century, transitioning successfully from a recipient to donor country, EDCF has assisted industrial development in developing economies by extending concessional loans toward various socio-economic infrastructure projects.

In 2022, despite the deepened financing gap caused by the rise of climate change response and widespread macroeconomic uncertainties, EDCF sought to maintain alignment with Sustainable Development Goals (SDGs) and continue support for the development plans of EDCF's partner countries and international community.

As a result of these efforts, EDCF provided USD 2.4 billion for 21 projects in 2022, a record high, bringing the total cumulative commitment to USD 23 billion across 503 projects in 58 partner countries.



# Policies & Directions

## SDGs

Endorsed by 193 United Nations member countries in 2015, the 17 Sustainable Development Goals (SDGs) came into force as of 2016. The SDGs aim to fight poverty, inequalities of opportunity and wealth, as well as climate change, in line with the common principle that no one is left behind.



## Recent Trends in Global Development Cooperation

In 2022, amid the global health crisis caused by COVID-19, accelerating climate change, and the Russia-Ukraine war, a global economic downturn further aggravated the suffering of vulnerable groups and nations, leading to increased worldwide polarization.

Due to these complexities, worldwide demand for development financing to achieve the 2030 SDGs has increased. According to a UNCTAD report dated September 22, annual demand for development financing has increased from 2.5 trillion dollars before the COVID-19 pandemic to 4 trillion dollars post-pandemic; however, the supply of development financing has been unable to meet skyrocketing demand due to an increase in budgetary requirements within donor countries.

To expand development financing, the international community continues to discuss mobilizing private funds in addition to public funds. In particular, the OECD Development Assistance Committee (DAC) is in discussions with private sector participants to promote blended finance; the OECD DAC also regularly hosts the Private Finance for Sustainable Development (PF4SD) conference to discuss means to promote private investment.

Meanwhile, the international community continues to pursue transition to a net-zero carbon economy. At the policy level, these discussions have culminated in adoption of a formal agenda focusing on 'provision of loss and damage financing for developing countries'. The global community agreed to establish funds for countries most vulnerable to climate change at the 27th UN Climate Change Conference of the Parties (COP27) in November 2022.

EDCF plans to continue to strengthen international solidarity to respond to global crises such as COVID-19 and climate change and promote sustainable development in developing countries.

## EDCF VISION 2030

### Co-prosperity through Sustainable Investment

Inclusive Growth



Economic Cooperation

SDGs-compatible Operation

Diversity in Development Solutions

Development Impact through Multiple Partnerships



## EDCF Policies and Directions

Although the global economy has yet to recover completely from the coronavirus pandemic and still faces massive economic uncertainties, EDCF has chosen to align with Korean government initiatives to become a top ten donor country in the foreseeable future. Especially considering that the current economic challenges appear to have hit developing economies harder, EDCF has continuously increased loan commitments and diversified support modalities year after year.

First, in 2022, EDCF committed to 21 projects totaling USD 2.4 billion, a record high. It focused on Green, Digital, and Health sectors to promote sustainable development of developing countries and reinforce economic cooperation with partner countries.

EDCF is expecting that expanded Framework Arrangement volume with major partner countries such as the Philippines and Kenya can lead to more large-scale infrastructure projects and additional EDCF support opportunities in these regions. EDCF continued seeking prospective candidate projects fit for blended finance and private sector engagement schemes by co-working with the export credit section at the Korea Eximbank as well as its extended network at both foreign and Korean institutions.

Also, EDCF has set strategies to promote participation of the private sector to fill financing gaps, and to provide program loans efficiently and effectively to catalyze institutional reforms in the partner countries.

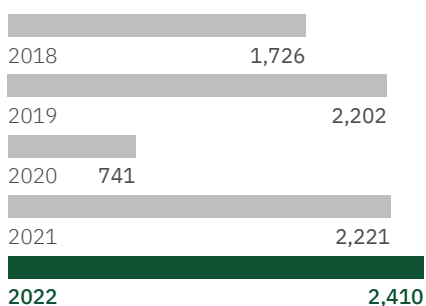
Meanwhile, EDCF actively leveraged collaborative platforms such as the ASEAN Catalytic Green Facility and Korea-Africa Energy Investment Framework to capture the regional expertise of MDBs. In addition to these partnerships, EDCF also hosted the 26th EDCF Annual Workshop with government officials from 14 different countries invited to the event. The 26th event held in 2022 was the first face-to-face event held in three years, as pandemic restrictions had put most similar events on hold.

# Commitments & Disbursements

EDCF has been gradually increasing its presence in developing economies with a mission to eradicate poverty and improve lives. EDCF made loan commitments totaling KRW 3.1 trillion (USD 2.4 billion) in 2022, a record high since its establishment in 1987.

## Loan Commitments in 2022

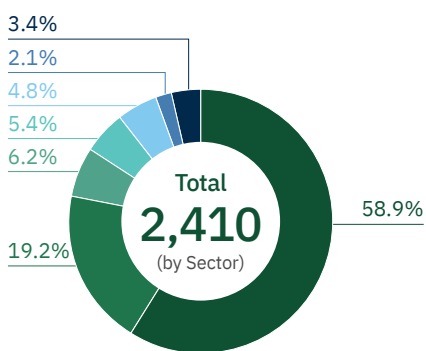
(Unit : USD million)



## Loan Commitments

In 2022, EDCF committed to 21 new projects in 13 different countries which total KRW 3.1 trillion (USD 2.4 billion) in loan commitments. From 1987 to 2022, EDCF commitments totaled KRW 27.7 trillion (USD 23 billion), spread out across 503 projects in 58 countries.

## Loan Commitment by Sector in 2022



- Transportation
- Health
- Water Resources & Sanitation
- Energy
- Agriculture
- Environmental Protection
- Etc.

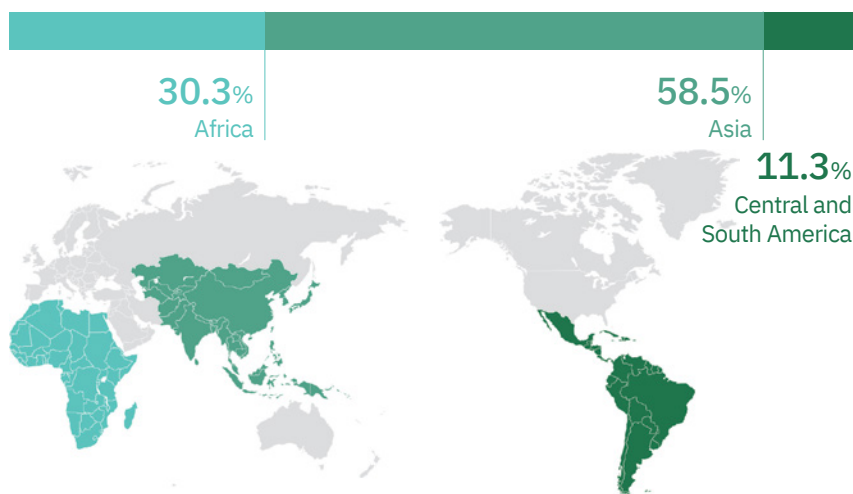
## Commitments by Region and Country

Asia received 58.5% of total commitments in 2022, ranking first by continent. Asia was followed by Africa, receiving 30.3% of total commitments. By country, Cambodia was the largest recipient in 2022, receiving EDCF commitments totaling KRW 630 billion (USD 493 million). Following Cambodia, Egypt received KRW 589 billion (USD 460 million) and Bangladesh received KRW 475 billion (USD 371 million).

## Commitments by Sector

Transportation stood at the top of the table in 2022, receiving 58.9% of all commitments in 2022. Transportation has been a strategic focus of EDCF financing arrangements. Transportation was followed by healthcare, which received 19.2% of the funding pool. This breakdown reflects a global demand sparked by the coronavirus pandemic to improve healthcare infrastructure.

## Loan Commitments by Region in 2022



## Loan Disbursements

Loan disbursements in 2022 totaled KRW 1,218 billion for 133 projects in 35 countries. Cumulative disbursements totaled KRW 12.6 trillion. By the end of 2022, outstanding balance of EDCF loans reached KRW 10.9 trillion, which is approximately 11.4% greater than the KRW 9.8 trillion recorded at the end of 2021.

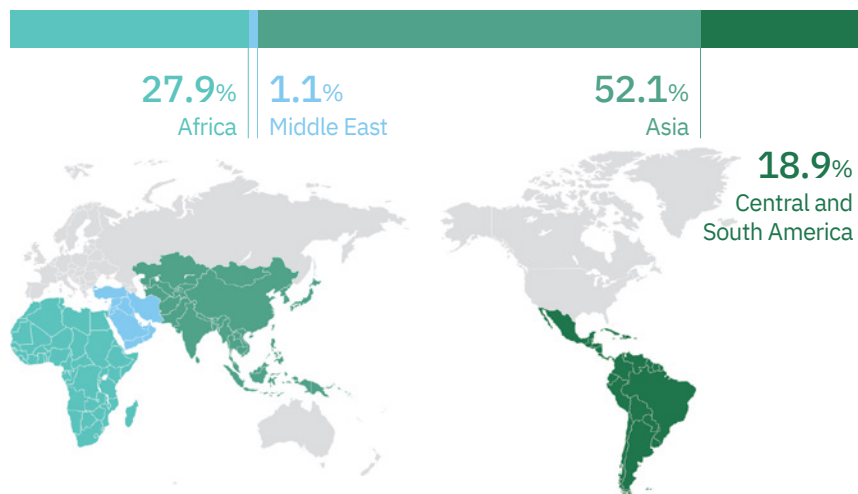
### Loan Disbursements by Region and Country

By region, Asia (52.1%) was the largest recipient in 2022, followed by Africa (27.9%) and Central and South America (18.9%). By country, Ethiopia was the largest recipient with total disbursements of KRW 115 billion, followed by the Philippines (KRW 111 billion) and Bangladesh (KRW 95 billion).

### Loan Disbursements by Sector

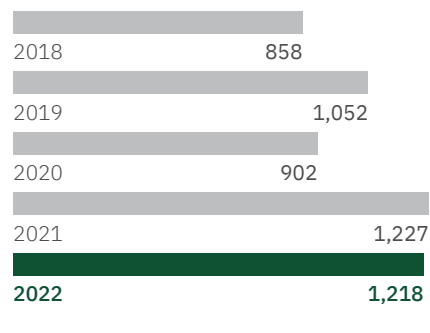
By sector, transportation accounted for 25.8% of disbursements in 2022, followed by energy at 21.5%, healthcare at 15.9%, and water & sanitation at 15.5%.

### Loan Disbursements by Region in 2022

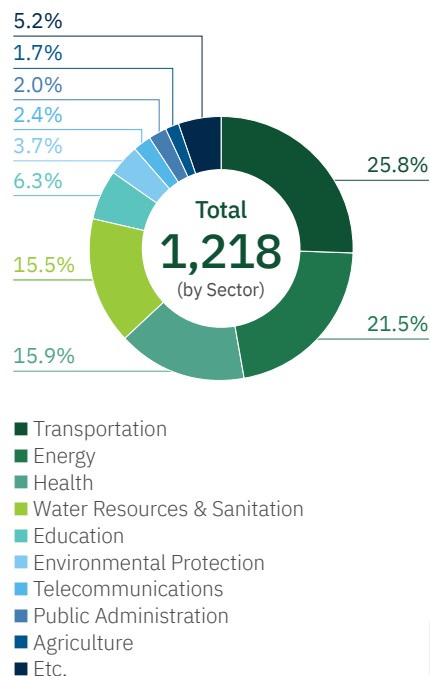


### Loan Disbursements in 2022

(Unit : KRW billion)



### Loan Disbursement by Sector in 2022



# Major Achievements



## Expanded Support for Large-scale Projects with a Focus on EDCF Priority Areas

To support demand for large-scale infrastructure development in developing economies, EDCF continued to channel additional support for large-scale projects, and for the EDCF's priority themes – Green, Digital, and Health.

### Large-scale Projects

In 2022, EDCF approved a total of USD 2.4 billion, achieving a record high in approved volume. Out of 21 approved projects, seven were large projects worth more than USD 100 million per project. In particular, the single largest EDCF project to date (USD 460 million) was prepared as a strategic financial package together with a loan from the Korea Eximbank.

In addition, EDCF expanded the scale of Framework Arrangement (F/A) that specifies the amount of commitment over a multi-year period with key developing economies such as the Philippines, Indonesia, and Kenya, with expectation of ample opportunity for large infrastructure investments in the near future. EDCF strengthened its foothold by signing a financial cooperation framework with Vietnam and agreed to develop large-scale infrastructure investment such as high-speed rail and metro construction.

## Green, Digital, and Health

EDCF has continued expansion of its support focused on Green, Digital, and Health. For Green, it approved USD 1.5 billion for 16 projects, including program loans to help support institutional reforms related to climate change as well as eco-friendly bus purchase projects. In addition, it established a climate change impact response system to reflect climate change response factors throughout the project lifecycle of identification, preparation, implementation, and evaluation.

To support the acceleration of digital transformation in developing countries, EDCF approved USD 1.2 billion for seven projects including e-government system improvement projects, and expanded to support complex development projects covering digital infrastructure and smart city development in developing countries.

In the health sector, a total of USD 0.7 billion was approved for seven projects, including establishment of a pharmaceutical cluster, construction of medical schools and general hospitals, as well as basic sanitation facilities that are closely related to people's daily lives.

### Green



16 projects  
USD 1.5 billion

### Digital



7 projects  
USD 1.2 billion

### Health



7 projects  
USD 0.7 billion

## Reestablishment of EDCF Vision and Institutional Foundation

### Declaration of EDCF Vision

EDCF's new vision was announced at the 35th Anniversary of EDCF Vision Conference in July 2022: Prosper with EDCF, Financing for Tomorrow. At the conference, EDCF shared its plans to boost development impact by supporting integral development plans and to establish partnership with developing countries by helping green and digital transformation and building manufacturing infrastructure. In addition, to promote private sector participation and investment, it plans to provide concessionary funds as part of public-private mixed finance schemes, while actively supporting public sector projects that contribute to the creation of an investment-friendly and business enabling environment.

### Institutional Foundation for Development Effectiveness

In line with the global ODA trend of expanding financial support in the form of budget support, EDCF prepared a program loan operation strategy to effectively support institutional reforms of partner countries. Additionally, a strategy was developed to engage new economic cooperation partners in Africa and upgrade support toward those with high growth potential.

Also, EDCF secured implementing foundations for more systematic operation of the fund. Specifically, working-level guidelines on untied aid were introduced to achieve the expanded target of untied aid. Moreover, a climate change response system was prepared with several pilot projects being underway, and guidelines to prepare a performance evaluation framework for climate change response projects were published as well.

## Interaction with External Stakeholders

### Recognition of EDCF's Effort for 35 Years

The Korea Eximbank received the presidential commendation at the “2022 Development Cooperation Day” ceremony hosted by the Office for Government Policy Coordination for its contribution to international development cooperation through EDCF for 35 years. The Development Cooperation Day is an annual event hosted by the Korean government since 2010 to celebrate Korea’s entry into the OECD (Organization for Economic Cooperation and Development) DAC (Development Assistance Committee).

At the ceremony, Prime Minister Han Duck-soo took the honors of giving the presidential commendation to Chairman and President Yoon Hee-sung; Chairman Yoon emphasized that the Korea Eximbank will continue to strengthen partnerships with other donor institutions to keep up with rising development finance demand, contribute to Korea’s efforts in international development cooperation, and staying current with international development trends such as addressing climate change in development context.



Received the presidential commendation at the “2022 Development Cooperation Day” ceremony held at COEX in Seoul

### Strengthened Cooperative Network

EDCF activities involve a constant effort to build networks not just globally, but also within Korea to enhance the effectiveness of aid and promote sustainability. In line with this effort, new partner networks have come with the Korean National Police Agency, the Korea Customs Service, and Statistics Korea, respectively. In addition, the EDCF Advisory Committee also resumed activities following a temporary suspension due to the Covid-19 pandemic.

With regard to international networking, EDCF attempted to support Korean companies’ entry into the international procurement market through MDB co-financing systems, and explored opportunities for joint participation in large-scale infrastructure project by utilizing various platforms specific to the green and energy sectors. In addition, it increased outreach to development finance institutions such as British International Investment (BII), International Finance Corporation (IFC), and Multilateral Investment Guarantee Agency (MIGA), and continued cooperation with major Asian donor institutions.

# Enhancing Partnerships



EDCF has developed its multilateral development bank (MDB) relationships first, to build social and economic partnerships and second, to demonstrate its commitment to partners in both the public and private sectors in co-creating a stronger post-Covid society. These relationships are aimed at calibrating the global and national-level sustainable growth strategies of Korea and its peers.

## The 6<sup>th</sup> Korea – Latin America and the Caribbean (LAC) Business Summit

In September 2022, the 6th Korea-LAC Business Summit was co-hosted by the Korean Ministry of Economy and Finance (MOEF), the Inter-American Development Bank (IDB), Korea Eximbank, and Korea Trade-Investment Promotion Agency (KOTRA) in Seoul with government and private sector representatives from 26 IDB member countries in attendance.

The objective of the Summit was to build commercial ties between Korea and its partners in Latin America and the Caribbean. Discussions at the summit covered a broad array of issues including investment and trade opportunities, investment in quality infrastructure, collaboration in innovation and entrepreneurship, and financing for emerging markets. Private and public sector leaders from both ends took the opportunity to share their perspectives about challenges and opportunities ahead to strengthen economic and social development ties between the countries.



In addition to leadership discussions, the summit also offered in-depth seminars on topics such as infrastructure and energy, a dedicated Start-up Pitch Day to connect prospective partners for joint ventures, technology transfers, and other business collaborations, and one-on-one Matchmaking Business Meetings between large businesses and their smaller partners doing business internationally across Korea and the Latin America and Caribbean region.



The 6<sup>th</sup> Korea – Latin America and the Caribbean (LAC) Business Summit

### **EDCF-World Bank Co-financing Promotion Session & Signing of MOU and CFA**

In October 2022, EDCF organized an EDCF-WB Co-financing Promotion Session at the headquarters of the World Bank in Washington, D.C. The Session was held to promote EDCF-WB co-financing projects within the World Bank organization; it was attended by more than 60 World Bank personnel online and 20 more in person. EDCF presenters spoke on the competitiveness of EDCF-WB co-financing packages, focusing on an all-in-cost comparison of EDCF-WB terms and conditions. More than 20 questions were raised during the Q&A session, proving the level of enthusiasm surrounding EDCF co-financing projects at the World Bank.

In culmination, the event resulted in the World Bank proposing several promising co-financing deals to the EDCF including the ITS project in Lima, Peru. The EDCF and World Bank also signed the EDCF-WB Co-financing MOU as well as the Co-financing Framework Agreement (CFA) at the World Bank’s Washington, D.C. headquarters, agreements that will serve as the basis for additional partnerships and loan arrangements between the two organizations for the 2022 – 2025 period.

## 2022 EIPP International Conference

The Economic Innovation Partnership Program (EIPP) is an advanced development cooperation program that provides mid- to long-term policy and technical consultations, including master plan development, legal and institutional improvement plans, and feasibility studies for key cooperation sectors in its partner countries. Launched by the Ministry of Economy and Finance in 2019, the program aims to discover demand-driven and effective infrastructure projects in developing countries through years of research and discussions.

Over the past three years, the EIPP has promoted economic and social development of partner countries and established economic cooperation partnerships. The program has been participated by several organizations, including the Korea Eximbank, the Korea Development Institute (KDI), the Korea Trade-Investment Promotion Agency (KOTRA), and the Korea Overseas Infrastructure & Urban Development Corporation (KIND), as coordinating agencies for different countries. In November 2022, the Ministry of Economy and Finance hosted the 2022 EIPP International Conference to share the results achieved so far with domestic and international participants.

This inaugural EIPP International Conference turned out to be a golden opportunity for Korea Eximbank to play a core role as coordinator of the EIPP. During the conference, Korea Eximbank introduced over 10 successful projects in the areas of green energy, smart cities, and innovative industrial clusters that were carried out in Uzbekistan over the past three years. Attendees expressed a profound interest in the results of Korea Eximbank's EIPP projects even more so because the Uzbekistan government had provided stellar reviews of Korean work and is pursuing follow-up projects as well. In addition, Korea Eximbank made efforts to expand the EIPP cooperation network through interaction between attendees and opinion hearings during the conference.

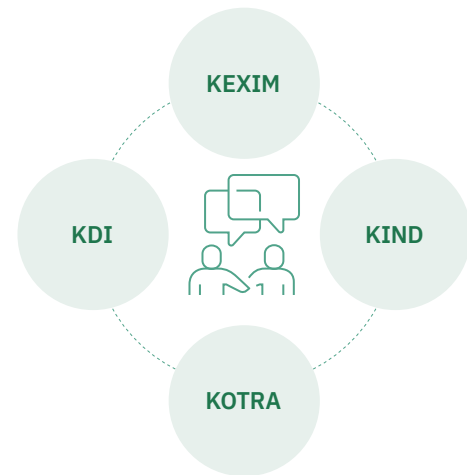
## Strengthening Ties with AfDB

Africa has striking potential for economic growth, backed by a fast-growing population and an improving business environment. Investment opportunities on this continent are becoming more attractive than ever, as the region recovers from the aftermath of the coronavirus pandemic and introduces new economic programs. The African Continental Free Trade Area (AfCFTA) was signed in March 2018 and became effective in May 2019.

The 3rd Africa Investment Forum (AIF) was held in Abidjan, Côte d'Ivoire from November 2 to November 4, 2022 under the theme of "Building Economic Resilience through Sustainable Investments." The event was an excellent occasion for Korea Eximbank to explore investment opportunities while strengthening ties with the continent and the African Development Bank (AfDB), a long-standing partner in development finance.

The Bank's presence at the AIF gave the Bank a chance to interact with other key stakeholders in the African investment ecosystem, including government officials, entrepreneurs, and investors. The Bank had a courtesy meeting with the AfDB's President Dr. Akinwumi Adesina, and engaged in discussions on various sectors for collaboration. Through these interactions, the Bank not only gained valuable insights into the business landscape in Africa, but also identified new investment opportunities in sectors such as infrastructure, energy, and agriculture.

## 2022 EIPP Participants



# 2023 Business Plan

## EDCF Commitment Target in 2023

KRW **3.8** trillion

## EDCF Disbursement Target in 2023

KRW **1.5** trillion

In line with the Korean government's policy to double ODA volume by 2030 over 2019 levels, EDCF has set its commitment and disbursement targets in 2023 at KRW 3.8 trillion and KRW 1.5 trillion, respectively. It will continue to expand its loan commitments focusing on Green, Digital and Health sectors and endeavor to enhance development effectiveness by improving its internal systems.

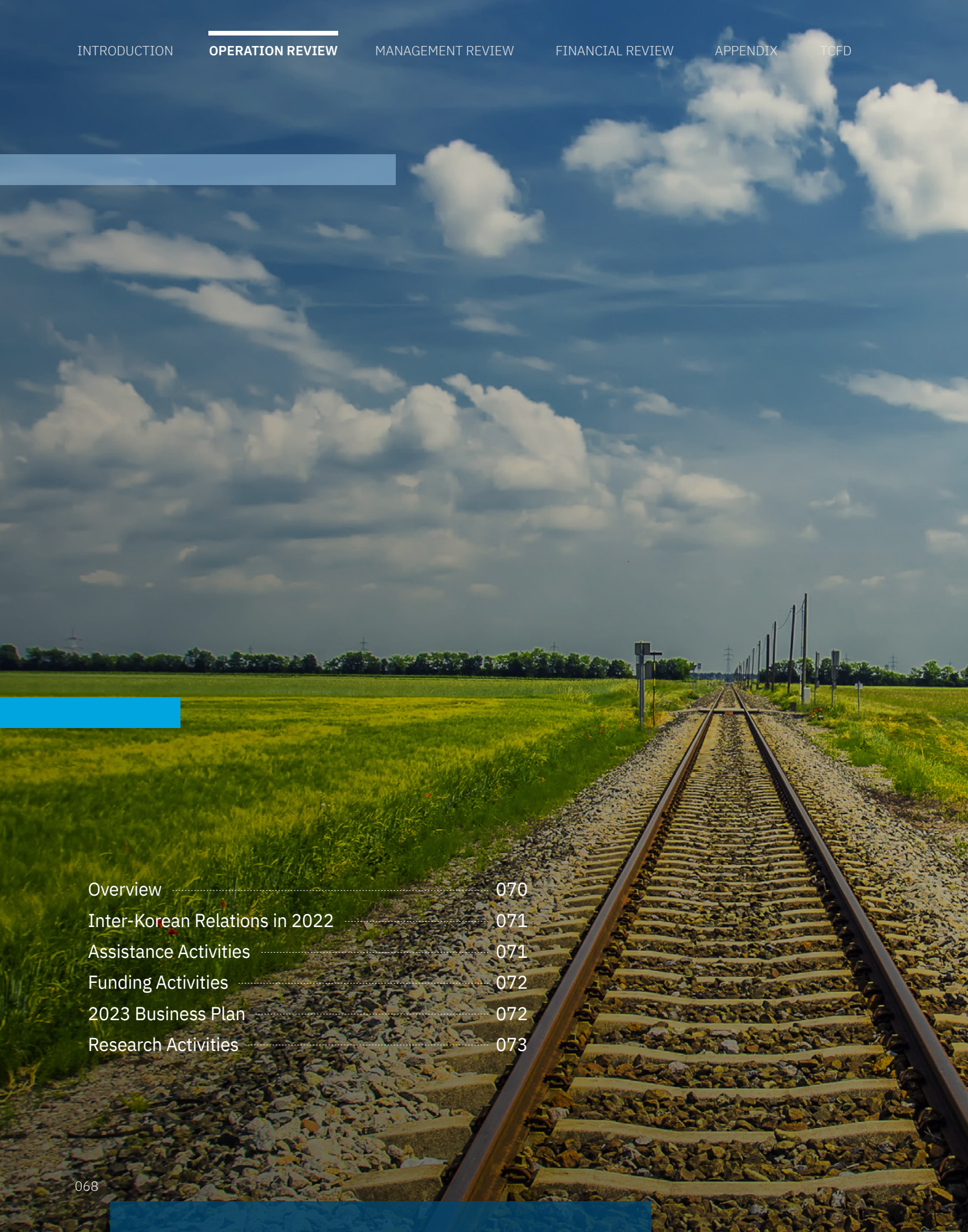
First, EDCF plans to support more projects that can contribute to mitigation or adaptation of climate change, and to internalize climate change response system for full application of climate change risk management and performance evaluation system to all EDCF projects from 2025. For the digital sector, EDCF will attempt to support digital transformation and innovation in emerging countries, applying ICT tools in traditional industry. With regard to the health sector, EDCF will continue its support for post-pandemic recovery and establishing improved sanitation systems for public health.

Second, EDCF will continue to try to expand the scale of Framework Arrangement (F/A) to support large-scale projects. Also, it will build a strategic project portfolio by diversifying partner countries and modalities through cooperation with MDB and other donor countries to enhance development effectiveness.

Third, EDCF will closely review the social and/or economic circumstances surrounding partner countries, and help them to build risk management capabilities, while offering timely financing opportunities in partnership with the international development finance community.

Lastly, EDCF will streamline its project execution procedures to support the projects more effectively, by improving its performance management system and the operation of foreign exchange accounts.





Overview	070
Inter-Korean Relations in 2022	071
Assistance Activities	071
Funding Activities	072
2023 Business Plan	072
Research Activities	073

# IKCF

## INTER-KOREAN COOPERATION FUND

Total Accumulation  
of IKCF

16.1

KRW trillion

Cumulative  
Disbursement in the  
form of Grants

4.1

KRW trillion

Cumulative  
Disbursement in the  
form of Loans

3.1

KRW trillion

IKCF Disbursement  
in 2022

77.9

KRW billion

Disbursement in the  
form of Grants

51.2

KRW billion

Disbursement in the  
form of Loans

26.7

KRW billion

# Overview

The Inter-Korean Cooperation Fund (IKCF) was established pursuant to the Inter-Korean Cooperation Fund Act of 1990. The primary purpose of the IKCF is to support mutual exchange and cooperation between South and North Korea. The Bank was entrusted with the administration of the fund by the Korean government in 1991.

With the guidance and supervision of the Korean government, IKCF provides loans and grants to South Korean companies and institutions.



In 2022, as the executor of the Inter-Korean Cooperation Fund (IKCF), Korea Eximbank provided financial support totaling KRW 77.9 billion to provide humanitarian aid to North Korea and support South Korean companies involved in inter-Korean projects. IKCF will continue its endeavor to make progress toward normalizing inter-Korean relations in accordance with the government's 'Audacious Initiative'.

# Inter-Korean Relations in 2022

## Relations between North and South Korea Remained to be on the Stalemate in 2022.

President Yoon Suk-yeol, in his Liberation Day speech on the 15th of August, proposed a new policy on North Korea dubbed the Audacious Initiative; the policy entails helping North Korea financially to rebuild its economy in return for gradual steps toward denuclearization. The policy includes economic development plans such as a large-scale food program, power generation assistance, and modernization of ports and airports.

Despite global concerns over North Korea's pursuit of nuclear weapons and missiles, North Korea has resumed its pattern of armed provocations with intercontinental ballistic missile (ICBM) tests. The South Korean government as well as the greater international community have placed political pressure on North Korea as these offences have continued.

## Assistance Activities

### IKCF Disbursement in 2022

KRW **77.9** billion

By providing grants and loans to South Korean public and private entities, the IKCF supports costs incurred for various cultural, academic and athletic events hosted together with North Korean counterparties.

Financial support drawn from the IKCF in 2022 totaled KRW 77.9 billion, where KRW 51.2 billion was disbursed in the form of grants and another KRW 26.7 billion in loans. Cumulative disbursements of the IKCF since its establishment in 1991 stand at KRW 7.2 trillion as of the end of 2022.

The KRW 51.2 billion grant total is further broken down into KRW 43.5 billion toward projects facilitating economic cooperation between the two Koreas, KRW 4.4 billion toward essential humanitarian assistance projects, such as aid for pediatric healthcare, and KRW 3.4 billion toward projects promoting social and cultural exchange.

Much of the KRW 26.7 billion loan total – KRW 24.5 billion – was allocated to companies that have suffered directly from the suspension of economic cooperation projects in the Gaeseong Industrial Complex and the shutdown of Mount Geumgang Tourist Zone.

# Funding Activities

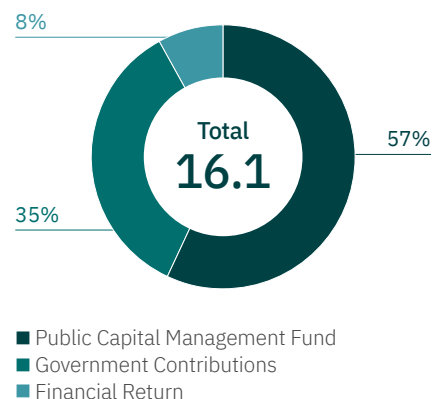
Major funding sources for the IKCF include contributions from the Korean government, borrowings from the Public Capital Management Fund, and reserves and financial returns on IKCF's investment portfolio.

The total accumulation of IKCF since its establishment sums to KRW 16.1 trillion as of the end of 2022. Of this amount, 57% (KRW 9.1 trillion) were borrowings from the Public Capital Management Fund, 35% (KRW 5.6 trillion) from government contributions and 8% (KRW 1.4 trillion) from financial returns and other sources.

Of the total amount funded, KRW 7.2 trillion was disbursed in the form of grants (KRW 4.1 trillion) and loans (KRW 3.1 trillion). KRW 8.7 trillion was used for repayment to the Public Capital Management Fund. The IKCF reserve, including deposits and short and long-term financial investments, stood at KRW 0.2 trillion as of the end of 2022.

## Total Amount of Funding in 2022

(Unit: KRW trillion)



# 2023 Business Plan

Given the complicated geopolitical environment surrounding the Korean peninsula, uncertainties in inter-Korean relations are expected to continue through 2023. The IKCF will nevertheless continue emergency humanitarian relief efforts toward North Korea, while acknowledging the boundaries set by international sanctions to encourage political change.

The IKCF will also continue its efforts to lay the policy groundwork to realize a peaceful, prosperous, and denuclearized Korean Peninsula, while steadfastly maintaining close collaborative ties with government policy.





## Research Activities

The Research Institute for North Korea and Northeast Asia Development (RINK) is an in-house think tank at the Korea Eximbank established in 2014 to provide in-depth insight on the development of North Korea and the Northeast Asia region. The institution's intellectual capital includes the Bank's extensive transaction experience in large-scale overseas financing projects, know-how regarding international development cooperation, and more than 30 years of experience managing the Inter-Korean Cooperation Fund (IKCF).

In 2022, RINK published a comprehensive research paper titled "Knowledge Sharing for Strengthening North Korea's Capacity Building in Development." This research analyzes knowledge-sharing projects that were implemented in North Korea under the IKCF and ODA umbrella with the aim of drawing lessons from the experience and suggests measures to enhance North Korea's development capacity. RINK has also continued to participate in a series of academic conferences and seminars, providing policy advice to government and academic institutions to establish stronger ties with the North Korea policy and research community.

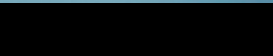
The institute will continue its studies on current issues in North Korea, leveraging the accumulated expertise in building knowledge and facilitating inter-Korean economic cooperation. Intensive research at the RINK is conducted in three large categories, namely statistical capability building, Green Détente, humanitarian aid and social development in North Korea.



# MANAGEMENT REVIEW



Funding .....	076
Risk Management .....	078
Digitization .....	079
ESG Management .....	081



Foreign Currency Funding  
in 2022

22.9

USD billion

Local Currency Funding  
in 2022

24.8

KRW trillion

Total ESG Disbursement  
in 2022

26.4

KRW trillion

ESG Bond Issuance  
in 2022

1.6

USD billion



# Funding



## 2022 At a Glance

### Largest ever USD and EUR Bond Issuance Volume among Korean Issuers

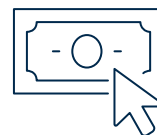
As one of Korea's benchmark issuers, the Bank has sought to create a favorable global funding environment for other Korean issuers. While raising USD 22.9 billion in 11 different currencies, the Bank issued USD 7.7 billion through public offerings of USD, EUR and AUD denominated bonds. USD 3 billion and EUR 1.5 billion each marked the largest volume of bond issuance in record among Korean issuers, which consequently allowed the Bank to safely secure abundant liquidity to provide to Korean companies.

## 2022 Funding Highlights

Korea Eximbank successfully raised KRW 54.4 trillion through bond issuances and borrowings in a harsh fundraising environment marked by extreme levels of volatility, global inflation, and aggressive interest rate hikes by major central banks.

### Foreign Currency

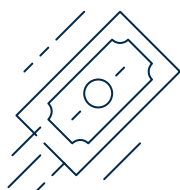
- Raised USD 22.9 billion (KRW 29.6 trillion)
- Achieved largest annual issuance of foreign currency-denominated public bonds, reaching USD 7.7 billion
- Responded to investor needs through 96 private placements across 11 different currencies, bringing the total to USD 6.9 billion
- Secured term loan facilities of USD 1.4 billion



**Raised**

**USD 22.9 billion**

(equivalent to KRW 29.6 trillion)



**Raised**

KRW **24.8** trillion

### Largest USD Issuance in Competitive Terms (Jan)

- Issued USD 3 billion of triple-tranche global bonds at the lowest spread across all tranches
- Considering the increased market volatility that followed a series of aggressive rate hikes by the U.S. Federal Reserve, this move allowed the Bank to provide competitive lending terms to Korean companies seeking to do business overseas

### Largest EUR Issuance (May)

- Issued EUR 1.5 billion of dual-tranche global bonds
- This marked the largest issuance size for EUR-denominated senior unsecured bond and the first FRN issuance for a 2-year tranche out of Korea

### AUD Dual-tranche Bond (March)

- Issued AUD 650 million (USD 487 million) dual-tranche bond (3/5 yr) to use as local financing in Australia

### Diversified Currencies

- 34.2% of total funds were raised through non-USD denominated global markets, a noteworthy figure in recent years

### Local Currency

- The Bank has also been a frequent issuer in the domestic bond markets
- The Bank raised KRW 24.8 trillion in 2022, bringing the total amount outstanding of KRW-denominated bonds to KRW 28.9 trillion as of the end of 2022
- The Bank proactively responded to the rising rate environment by using FRN and structured notes, as well as by issuing bonds in diverse maturities to match a variety of loan assets

## Funding Strategy for the Year Ahead

In 2023, the Bank's funding strategy will largely focus on the following:

- Ensure comfortable liquidity position based on close monitoring and analysis of the current financial market; acknowledge and stay aware of constantly volatile markets
- Initiate several large-scale public offerings, while accommodating the funding needs of Korean companies to better facilitate the Bank's lending activity
- Continue to diversify the Bank's investor base globally and capture arbitrage opportunities by tapping into non-U.S capital markets

# Risk Management

## BIS Ratio

2018	14.4%
2019	14.6%
2020	15.1%
2021	14.8%
<b>2022</b>	<b>13.4%</b>

As an export credit agency, Korea Eximbank holds a unique position in facilitating trade and investment activities in Korea. While the Bank acknowledges that its operations are inherently exposed to various credit, market, and liquidity risks, a comprehensive and robust risk management framework has been put in place to ensure the safety, soundness, and resilience of the Bank's operations.

To oversee and execute these risk management activities, the Bank has installed a Risk Management Committee. This Committee is entrusted with the responsibility of devising, approving, and overseeing of key risk management policies and plans. Risk management activities are primarily executed through the Risk Management Department, which is responsible for identifying, assessing, and mitigating risks across the Bank.

Credit risk is one of the main risks faced by the Bank; it is managed primarily by evaluating borrowers' creditworthiness, setting prudent credit exposure limits, and operating early warning systems. The Bank's credit risk management approach is designed to ensure that it maintains a high level of credit quality while supporting key policy objectives.

In 2022, Korea Eximbank provided various forms of support to overcome the economic crisis, a complex puzzle of rising inflation, high interest rates, and volatile exchange rates. This resulted in an increase in the bank's risk-weighted assets. However, through prudent measures such as capital contribution from the government, profitability management, and issuance of a subordinated bond, the Bank was able to maintain a modest BIS ratio above 13% at the end of 2022.

Market and liquidity risks are another category of inherent risks in the Bank's operations. Bank professionals closely monitor market conditions to identify and manage market risks, and maintain sufficient liquidity buffers to ensure that the Bank is able to meet its obligations under a range of scenarios.

In 2022, Korea Eximbank established a new climate risk management system to systemically analyze the impact of climate change. To keep pace with global standards, the Bank has also prepared for the implementation of Basel III regulations such as the Fundamental Review of the Trading Book (FRTB) and New Standardized Measurement Approach (SMA) to measure market and operational risks, which are due to be implemented in 2023.

Risk management is taken seriously at Korea Eximbank, and a comprehensive risk management approach ensures the safety and soundness of its operations. The Bank will continue to maintain a close watch on risk management activities while staying agile to support key policy objectives.

# Digitization

## KEXIM's Digital Transformation Strategy

Competition is escalating among financial institutions to enhance customer accessibility through digital transformation. With the acceleration of digitalization across the entire socio-economic landscape, the convergence of technology, data, and finance is emphasized beyond the traditional scope of financial services. “Digital KEXIM” and “Proactive IT” are the two keywords behind the Bank’s mid-term digital transformation strategy. The strategy consists of six key objectives to enable the bank’s transformation into a digital financial system, including the expansion of digital channels for customer services and the establishment of a stable foundation for digital transformation.

## Enhancing Customer Convenience through a Contactless (Un-tact) Digital Platform

KEXIM has enhanced financial access by providing non-face-to-face online services. In April 2022, the bank launched the “Un-tact Digital Platform (Untact Platform),” its first online financial service. This corporate finance platform digitalized the entire lending procedure, allowing corporate customers to submit documents online, check real-time loan statuses, and print certificates in a contactless setting. As of the end of 2022, approximately 45% of customers had signed up to use this platform, confirming a change toward better accessibility to policy finance for businesses engaging in export and import trade. The bank has also built a digital platform for International On-lending, enabling intermediary financial institutions to share real-time information related to loan evaluations in and allowing corporate customers to submit relevant documents online. The Bank expects to introduce additional digital services to upgrade quality of customer service.



Enhancing Customer Convenience through Untact Platform

## Efforts for Business Process Digitalization

Korea Eximbank has digitalized its internal business processes to enhance efficiency and create an environment that allows for greater focus on core business functions. As part of this initiative, the Bank has developed a data-based “Automatic Credit Assessment System” which enables the Bank to digitalize its loan appraisal and approval process for corporate banking service. Upon its launch in 2023, it is expected that the system will allow more efficiency in the overall loan appraisal

and approval process and improve credit decision making by providing organized corporate data sets and facilitating objective analytic tools.

Furthermore, the Bank has implemented a dedicated information system that permits systemic management of ESG-specific financial support records. The Bank has expanded its loan industry classification system from 213 to 535 categories allowing for a more detailed segmentation of its portfolio, and has digitalized the process for selecting assets eligible for ESG bonds. This enables the bank to manage both its ESG bonds and the loan ledger related to eco-friendly industries in parallel. Finally, Korea Eximbank has strived to enhance efficiency in day-to-day tasks at the office and encourage systemic management of EDCF projects, such as automating the creation of disbursement and repayment schedules, and sending delinquency notifications and due date reminders to responsible parties.

### Digital Innovation Technology to Heighten Work Efficiency

Korea Eximbank has introduced digital innovation technologies to improve employee work efficiency. The bank has automated tasks that previously required manual data entry from paper documents by applying AI-based OCR (Optical Character Recognition) technology. This technology detects and recognizes characters within paper documents, converting them into digital data. In addition, the Bank plans to utilize AI-based translation technology to facilitate the understanding of Project Financing contracts in loan agreements, as well as implement a chat-bot for HR inquiries, allowing for real-time responses to employee questions. Chatbot technology is expected to be adopted in other business areas down the road as the technology develops.

### Construction of a Stable and Scalable Data Center

To keep up with the digital transformation era and enhance the stability and scalability of IT services, Korea Eximbank has launched construction of a new data center and migration of its IT infrastructure. The new data center's IT infrastructure is designed to efficiently operate IT resources and prevent critical system failures by utilizing cloud computing technology and an AI monitoring system. The data center building will have a seismic isolation structure and exhibit high energy efficiency, and will be built as an eco-friendly green data center running on renewable energy sources such as solar power and geothermal energy. With completion and opening of the new data center scheduled for the second half of 2024, the Bank has already begun preparation for a safe migration of both hardware and software to ensure continuity in system operations.



Construction of a Stable and Scalable Data Center

### 2023 Plans to Advance Digital Transformation

As part of its mid-term digital transformation strategy, Korea Eximbank made a number of accomplishments in 2022, including launching of the Untact Platform and development of the data-based “Automatic Credit Assessment System” for corporate banking service. In the coming year, the Bank plans to focus on stabilizing and improving the Untact Platform, while also embarking on the full-scale construction of a cloud-based Software-Defined Data Center (SDDC) with a target completion date of 2024. Through these initiatives, Korea Eximbank aims to not only establish a stable foundation for digital transformation but also implement digital financial services that lead future innovation.



# ESG Management

## ESG Strategy

Korea Eximbank has worked hard to improve ESG management practices since establishing the ESG Roadmap and strategy in 2021. In 2022, the Bank aimed to build a strong foundation for ESG management through three key strategic goals, which are ‘promoting the global ESG competitiveness of Korea companies’, ‘contributing to achieving the government’s carbon neutrality’ and ‘expanding social value creation’.

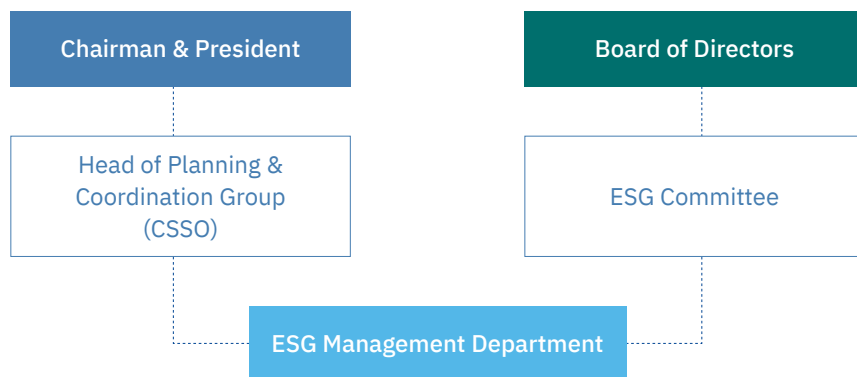


## ESG Management Activities

### ESG Management Governance

As the internal control tower for sustainable business management, ESG committee of the Bank manages and supervises ESG management strategies and performance. The Bank strengthened ESG governance by incorporating the CSR operation committee into the ESG committee in 2022.

The ESG committee convened two times in 2022. First, it met in March to approve annual CSR programs for their effective operations. Second, it met in December to review ESG management performance over the previous year and approved the Bank's ESG operation plan for 2023. An ESG operation plan aligned with the Bank's annual business plan is expected to contribute to internalization of ESG factors in all areas of business management.



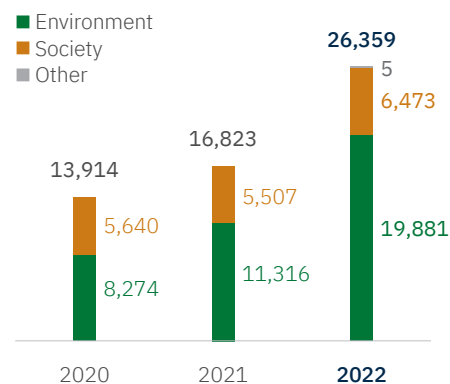
The Bank also put together in 2022 an ESG working council comprised of the Bank's overseas subsidiaries as part of an effort to promote ESG management at a global level. The Bank's Korean headquarters and overseas offices regularly share strategies and perspectives related to the Bank's ESG strategy and ESG trends.

### ESG Financing Program

The Bank has expanded its ESG loan and investment offering through an ESG Financing Program introduced in 2021. By providing loans with preferred terms and investing in ESG funds, the Bank incentivizes Korean businesses to build ESG management capabilities internally. Funding from the ESG Financing Program totaled KRW 26.4 trillion in 2022, of which KRW 26.3 trillion was disbursed in loans and guarantees, and another KRW 31.2 billion was disbursed to several ESG-themed funds over the 2022 year.

#### Total ESG Disbursement in 2022

(Unit : KRW billion)



## Climate Change Risk Management

The Bank established a new climate risk management system (“Climate Risk Management Framework”) that consists of the following:

- Calculation of carbon emissions arising from the projects in which the Bank invests;
- Designation of carbon-intensive industries considering carbon emissions and exposure, and monitoring of actual exposure;
- Analysis of the results of a stress test based on a risk stress scenario to check the pre-described climate impact;
- Disclosure of annual report in accordance with TCFD

The Bank plans to use the Climate Risk Management Framework to systemically analyze the holistic impact of climate change, using the methodologies to calculate carbon emissions and a stress test based on a risk stress scenario. These analyses are expected to help the Bank uncover material risks that can result in deviation from expected impact.

## Participation in Global Initiatives

Korea Eximbank has communicated with global stakeholders and participated in key initiatives related to ESG in an effort to implement ESG principles in a more responsible manner.

The Bank adopted the Impact Investing principles launched by the International Finance Corporation (IFC) in November 2021 with objective of emphasizing social and environmental values in its financial support programs. It has aligned its investment activities in relation to ESG bonds with the principles and publicly disclosed the first annual Disclosure Statement and Verification Report in 2022.

Furthermore, to act preemptively to climate risks, the Bank declared support for the Task Force on Climate-related Financial Disclosures (TCFD) in 2021. The Bank disclosed climate-related information in the areas of governance, strategy, risk management, metrics and targets (Appendix 4) in accordance with the TCFD Recommendations.

## Human Rights Management

Korea Eximbank is committed to acknowledging human rights throughout its business activities. The Bank recognizes that its principles and policies on human rights impact every individual stakeholder on whom the Bank may exert a form of influence, including employees, partners, customers, and local communities.

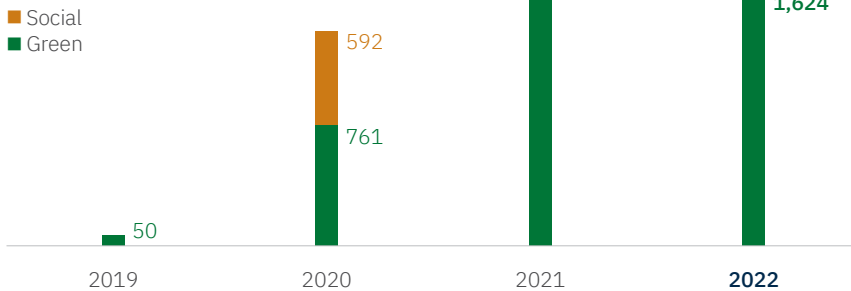
The Bank declared the ‘Human Right Management Charter’ and established the Human Rights Committee in 2019. Since 2020, the Bank has conducted yearly Human Right Impact Assessments on the major operations and projects financed by the Bank. The Bank also established an operational-level grievance mechanism in 2022.

## ESG Bond Initiatives

Since issuing Korea’s first green bond totaling USD 0.5 billion in 2013, Korea Eximbank has been an active player in the ESG bond markets. The Bank maintains an ongoing effort to enhance transparency of ESG bond management through the Sustainable Finance Framework devised in 2021; the Framework was designed to align with global ESG standards such as the Green Bond Principles and Social Bond Principles. The Bank has received second party opinion on the Framework from a global ESG evaluation agency, and publishes its allocation report on a regular basis to meet the investor needs. The Bank issued three green bonds in 2022 summing to USD 1.6 billion, bringing the green bond issuance total to USD 6.7 billion as of 2022 year-end.

### ESG Bond Issuances

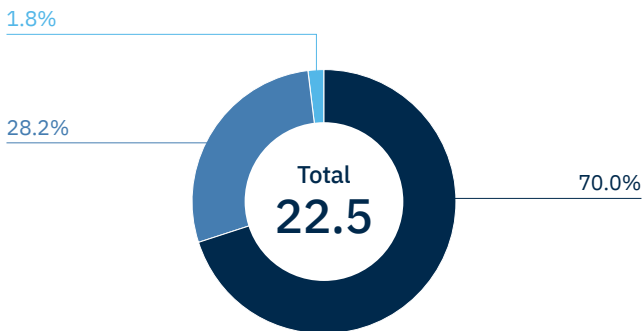
(Unit : USD million)



## Use of ESG Bond Proceeds

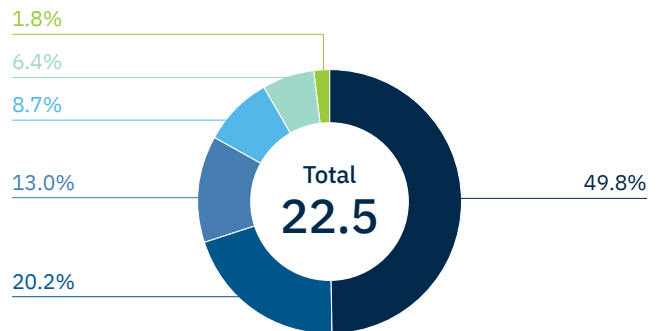
Proceeds from ESG bonds are used to support Korean businesses venturing into green industries or to fund social projects. Approximately 70% of all green bond funds are allocated to clean transportation projects such as rechargeable batteries and their components, and the rest mainly to renewable energy such as solar power. With respect to social bonds, the majority of these funds are used to support SMEs.

### Asset Portfolio Breakdown - by Eligible Categories



- Clean Transportation
- Renewable Energy
- Energy Efficiency

### Asset Portfolio Breakdown - by Project Types



- Rechargeable Battery
- Battery Components
- Solar Power
- Fuel Cell
- Wind Power
- Energy Storage System

## The Bank and the Environment

“Through careful screening of the projects that the Bank finances, Korea Eximbank ensures that its environmental and social agenda are given due consideration in its decision-making process to strictly adhere to international standards and norms.”

Korea Eximbank endeavors to prevent and mitigate adverse environmental and social impact from the 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 (the “OECD Common Approaches”), uphold transparency, and follow international standards. With a steadfast commitment to environmental and social sustainability, the Bank will consistently do its utmost to protect the environment.

### Environmental and Social Due Diligence

Korea Eximbank extends financial support to medium-to-long-term projects that promote development across the globe 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 pursuant to the OECD Common Approaches 2016. The policies define the Bank’s standards and procedures for reviewing the environmental and social aspects of the projects it finances. As part of its ongoing commitment to sustainability, in 2022 the Bank has reinforced its internal procedures to ensure that climate change and human rights issues are given more rigorous consideration in the due diligence process.



A site-visit for a refinery project in Indonesia

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

In 2022, Korea Eximbank thoroughly reviewed the environmental and social impacts of four long-term projects in areas including roads, refinery modernization, solar and gas-fired thermal power plants, and subsea production system and transmission cables. The pandemic has presented numerous challenges for the review process, but the Bank has successfully navigated this period and resumed site visits and on-site stakeholder engagement activities in 2022.

## OECD Environmental and Social Practitioner Activities

Korea Eximbank is also taking an active role in multilateral discussions and addressing environmental and social issues by sharing its experience and expertise with other government agencies and international organizations.

In October 2022, the Bank successfully hosted the 46th OECD Environmental and Social Practitioners' Meetings, held in Korea for the first time, with 49 E&S professionals from 24 countries in attendance. At these meetings, the Bank shared its ongoing ESG efforts and expertise with the international expert pool, and continued to discuss diverse approaches to ensure that the OECD Common Approaches stay current with actual global ESG initiatives.



The OECD Environmental and Social Practitioners' Meetings hosted by the Bank

## Serving the Community

### Corporate Social Responsibility (CSR)

Korea Eximbank's emphasis on CSR activities is part of the Bank's effort to internalize ESG management principles throughout the organization. Through its own CSR program, the Bank strives to contribute to the welfare of the greater society with targeted programs to assist at-risk groups in Korea and beyond. Given that CSR activities are critical part of the Bank's ESG management framework, the ESG committee was granted the power to approve annual CSR program in 2022 to strengthen governance on decision-making for CSR activities.

### Hope Seed Program : Nurturing Hope for Underprivileged Groups in Korea and Beyond

The Hope Seed Program, a Korea Eximbank CSR program established in 2012, is integral to the Bank's community outreach efforts promoting social integration. The program helps socially disadvantaged households and new members of Korean society such as multicultural families and resettled North Koreans. It also reaches out to deprived communities abroad and helps the Bank fulfill its responsibilities as an international development organization. The Bank made a substantial upgrade to the program in 2022, by newly committing itself to offer better environment and diversity in culture for the local community. In 2022, the Hope Seed Program resulted in approximately KRW 5.7 billion in donations to various charities, NGOs and social enterprises.



The Hope Seed Program,  
Korea Eximbank's CSR program



Total Amount of Donations  
in 2022

KRW **5.7** billion

### Reaching out to the Socially Disadvantaged

Korea Eximbank makes donations to help people on the margins of society, including the disabled, senior citizens living alone, and others who may need social assistance. Programs go beyond financial support for maintaining minimal livelihoods, and seek to provide these groups with the means to stand on their own feet. For instance, the Bank provides vocational training and education programs and is involved in creating jobs.



Preparing food for homeless people

The Bank is a long-term supporter of the Solidarity Benevolent Fund of Social Enterprises, established in 2014 to promote the self-reliance and financial stability of social enterprises. In addition, the Bank stays alert to social issues and provides timely aid to underprivileged groups in need of help. It offered subsidies for heating bills to low-income households to reduce their financial burden in response to soaring gas prices. The Bank also offered relief following natural disasters such as heavy rain and wild fire, ensuring emergency support in times of crisis.

## Helping New Members of Korean Society

The Hope Seed Program prioritizes long-term support in the form of education and employment to help achieve self-sufficiency over one-off events and subsidies. To provide educational support for children from multicultural families, the Bank made substantial contributions to multicultural alternative schools and gave economics and finance lessons to children at Multicultural Family Support Centers nationwide. Throughout 2022, the Bank made charitable donations to cover the educational expenses of four alternative schools for multicultural children and resettled North Koreans.

The Hope Seed Program also aims to help new members of Korean society achieve financial independence through employment. In 2022, Korea Eximbank supported twelve social enterprises to help create jobs for socially disadvantaged groups such as foreign women married to Korean nationals, temporary foreign workers, and resettled North Koreans. It also continues to expand donation to social enterprises which hire people from these demographics with the hope that the Bank's support can help adaptation of new citizens while also sponsoring the social enterprises which support these neighbors.

## Serving the Global Community

As an international development agency, Korea Eximbank makes considerable effort to serve the global community. To empower the future generation in developing countries, the Bank provided educational support to children of underprivileged groups in India, Pakistan, Vietnam and Philippines and sponsored study materials to Asian University for Women (AUW) in Bangladesh. The Bank also developed a program to provide accessible healthcare to underprivileged groups in Uzbekistan by subsidizing medical expenses for children's heart surgery. In 2022, Korea Eximbank launched a new program with its SME clients who own overseas subsidiaries. In Southeast Asia, the Bank and its clients voluntarily initiated programs to provide soft skill lessons to female employees in Indonesia and improve sanitation facilities in a public primary school in Vietnam.



Korea Eximbank employee-led volunteer activities were put temporarily on hold during the pandemic years; these traditional outreach projects have since resumed as the pandemic situation has shown recovery. In 2022, 58 employees volunteered to lend a helping hand to local communities in Mongolia and Cambodia. The volunteers planted forests to fight against desertification and constructed traditional homes for low-income families to guarantee residential stability in Ulaanbaatar, Mongolia. The volunteers also built a new playground for children and hosted mini-Olympics for students at a primary school in Phnom Penh, Cambodia, to help improve the physical health of children on campus.

## Contributing to the Regional Community

In commitment to ESG management, the Korea Eximbank has launched a new category of CSR activity. The Bank created an urban forest in order to preserve biodiversity and mitigate urban heat island effects while improving air quality. In addition, Korea Eximbank supported mecenat activity by hosting exhibition of young artists in the Bank's own gallery and providing exhibition-related educational programs relevant to participating children from underprivileged groups.

The Bank also sponsored equipment for CPR education as demand for public training soared nationwide in the second half of 2022.



Creating an urban forest

## CSR Participation of Employees

Korea Eximbank aims to enhance employees' awareness of CSR by conducting CSR activities where employees directly participate. The employees delivered daily necessities to low-income households to enhance these citizens' sense of social inclusion during the national holidays. To support multicultural families who are new to Korean culture, Bank employees and employees from the Bank's SME client participated in making kimchi. Additionally, regional branches across the country conducted volunteer activities such as flogging, distributing coal briquettes, and providing free meals to underprivileged groups within their vicinity. Employees also participated in volunteer work individually on weekends, with the Bank's financial support in the form of matching grants.

Korea Eximbank continues to encourage its employees to donate blood, given a chronic shortage in the national blood supply exacerbated by the Covid-19 pandemic. In 2022, the Korea Eximbank hosted a total of five internal blood drives, with one of these drives conducted in a bloodmobile that the Bank had sponsored from funding to assembly. Lastly, the Bank's employees have donated a portion of their salaries to support medical expenses for patients suffering from rare and incurable diseases.



Making and distributing kimchi to multicultural families



## Ethical Management

In accordance with government policies designed to foster ethical work practices in the public sector, Korea Eximbank runs various programs to promote sound work ethics and prevent corruption at the workplace. The Bank emphasizes transparent, ethical and customer-oriented work and management principles to establish itself as a “clean bank with a high level of integrity” deserving the full trust of customers and the public. Following the enforcement of the landmark Act on the prevention of Conflict of Interest Related to Duties of Public Servants in May, the Bank established and revised policies to reflect and apply the law specifically to the Korea Eximbank environment. These measures, stipulated in the form of 10 key standards of behavior, guarantee fairness in public service and contribute to securing the general public’s trust. The guidelines specifically cover key employee obligations, restricted activities, and procedures for reporting and handling violations that arise within the organization. The Bank will continue to strengthen its internal regulations and provide diverse training programs from a legal compliance perspective in the coming year.

## Internal Controls by the Compliance Department and Chief Compliance Officer

The Compliance Department reports directly to the Chief Compliance Officer (CCO) and is dedicated to overseeing ethical management and integrity within the Bank, with a special emphasis on strengthening internal controls, preventing corruption and promoting anti-money laundering measures. Specifically for preventing corruption, the Compliance Department monitors the evaluation & selection process of bidders and bond issuers and inspects the investment department to prevent possible pursuit of personal interest in bidding processes and misuse of internal information for personal purposes. These internal control mechanisms help the Bank minimize risk of corruption and ensures full compliance with relevant laws and regulations.

## Fostering Integrity Awareness and Culture

Korea Eximbank adopted the statutory Code of Conduct in 2003 for its entire staff to ensure the Bank is a clean organization that clients and the general public can trust. The Code stipulates faithful execution of duties, client-oriented management, and promotion of integrity and anti-corruption efforts through the eradication of bribery, operation of the Clean Report Center and an anonymous reporting system that protects whistleblowers. In recent years, the Bank amended the Code applying stricter standards that align with the Improper Solicitation and Graft Act and the Conflict of Interest Prevention Act.

To ensure transparent and ethical management at the Bank, all board members and Head of Group of Korea Eximbank are required to sign an integrity pledge within one month of their appointment. Since 2011, all working-level staff have signed and submitted a mandatory integrity pledge to affirm their commitment to transparency in their duties and prevention of corruption.

All staff members at the Korea Eximbank are required to complete the Online Self-Checking for Ethical Practices on a quarterly basis to enhance their awareness of ethics and renew their commitment to faithful execution of duties. The online questionnaire is the Bank’s way of promoting awareness of ethical standards among employees and identifying areas for improvement.

Korea Eximbank also provides integrity education to all employees on an annual basis, covering issues including anti-corruption, integrity and ethical awareness in public office. The Bank also implements its own customized ethics education program from top management to new employees, conducted by certified specialists in integrity education.

A company-wide public ‘Integrity Message’ is posted on the Bank intranet for view by the entire organization. These messages contain messages about the integrity of high-ranking officials such as the Bank’s own President. This campaign, launched in 2021, was conducted a total of six times in 2022 and will continue to be used to raise awareness of integrity at all ranks of the organization.

## Anti-Corruption Week & Integrity Pledge Event

Korea Eximbank held an ‘Anti-Corruption Week’ event in celebration of International Anti-Corruption Day, a United Nations commemoration which returns on December 9 each year. This year, a range of events took place including ‘Integrity Pledge Hand Printing’, which strengthened a spirit of integrity among all Bank employees, and the ‘Integrity Leader Award’, which celebrated service by Integrity Leaders in 2022.



Integrity Message



Integrity Pledge Hand Printing with Integrity Leaders



Acquired

# ISO 37001

Certification  
in 2020

## Maintenance of Anti-Bribery Management Systems (ISO 37001)

Korea Eximbank successfully passed the surveillance audit of Anti-Bribery Management Systems (ISO 37001) on September 1. In 2020, for the first time at a Korean policy bank, Korea Eximbank obtained ISO 37001 (anti-bribery management system) to build a systematic anti-corruption system that complies with global standards.

Backed by top leadership support for anti-corruption and integrity, time-appropriate anti-corruption & integrity programs, and various education programs on the ground, Korea Eximbank's work received high praise during the surveillance audit.

## Anti-Money Laundering Program

The Korea Eximbank has an Anti-Money Laundering system in place to control financial transactions potentially connected to money laundering, terrorism, and other fraudulent activity. The Bank's Chief Compliance Officer (CCO) oversees the AML system. To improve transparency and address any relevant risks, the Bank has also adopted policies and procedures in line with recommendations from the Financial Action Task Force (FATF) and implemented Korea Financial Intelligence Unit (KoFIU) regulations. The Korea Eximbank takes early action to identify, assess, and understand potential money laundering, terrorist activity, and violation of sanctions.

The Bank conducts thorough Customer Due Diligence (CDD) or Enhanced Due Diligence (EDD) processes to screen all of its clients and transactions. A Watch List Filtering (WLF) system and Robotic Process Automation (RPA) system are used to help verify the identities of each party in certain financial transactions. Through these processes, the Bank is able to gain comprehensive information about its clients that provide insight into potential risks and allow for early action to mitigate any risks that arise. The bank is also taking steps to improve efficiency in the AML system through new technologies, such as AI Chatbot, and enhanced KYC monitoring, keeping pace with both technical and regulatory trends in the finance industry. In addition to combating money laundering with information technology, the Bank has made it mandatory for all of its employees to complete regular training on AML and Countering the Financing of Terrorism (CFT). In sum, a system of technology and training provides Bank professionals a bird's-eye view of financial crime risks, AML/CFT knowledge, laws and regulations, and internal policies and procedures to address financial risk.

# FINANCIAL REVIEW

Financial Status .....	096
Independent Auditor's Report .....	097
Consolidated Financial Statements .....	099
Notes to the Consolidated Financial Statements .....	104
Independent Auditor's Report .....	180
Separate Financial Statements .....	182

# Financial Status

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

## Assets and Liabilities

As of the end of the fiscal year 2022, Korea Eximbank and its subsidiaries' total assets reached KRW 123.2 trillion, an increase of 20.5% from the previous year's total of KRW 102.2 trillion. The increase was mostly due to an increase in the Bank's loans. The Bank's total liabilities posted KRW 107.6 trillion, up 24.0% from the previous year's total of KRW 86.8 trillion, as the Bank's debentures increased. The stockholders' equity rose 0.8% from the last year's total of KRW 15,415 billion to KRW 15,535 billion, due to an increase in retained earnings.

### Total Assets in 2022

KRW **123.2** trillion

YoY **+20.5%**

## Revenues and Expenses

The net income of Korea Eximbank and its subsidiaries for fiscal year 2022 stood at KRW 416 billion, a decrease from the previous year's net income of KRW 482 billion. Korea Eximbank and its subsidiaries recorded KRW 1.26 trillion, as operating income before impairment loss on credit for fiscal year 2022. The decrease in net income is primarily due to an increased additional impairment loss on credit.

### Financial Status 2020-2022

(Unit : KRW billion)

	2020	2021	2022
Assets	98,173	102,249	<b>123,174</b>
Liabilities	83,621	86,834	<b>107,639</b>
Stockholders' Equity	14,552	15,415	<b>15,535</b>
Operating Income before impairment loss on credit	1,123	1,123	<b>1,264</b>
Net Interest Income	900	927	<b>987</b>
Net Commission Income	359	287	<b>335</b>
Operating Income	280	752	<b>581</b>
Net Income	98	482	<b>416</b>

- The date of transition to K-IFRS is January 1, 2012.
- Financial Status 2020-2022 complies with Korean International Financial Reporting Standards ("K-IFRS", consolidated financial statements).



# Independent Auditor's Report

## **The Board of Directors and shareholders of The Export-Import Bank of Korea:**

### **Opinion**

We have audited the accompanying consolidated financial statements of the Export-Import Bank of Korea (the "Bank") and its subsidiaries (collectively, the "Consolidated Entity"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Consolidated Entity as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("K-IFRS").

### **Basis for Opinion**

We conducted our audits in accordance with Korean Standards on Auditing (KSAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Consolidated Entity in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other Matter**

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.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with K-IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Consolidated Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Consolidated Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Consolidated Entity's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk

of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consolidated Entity's internal control.
- Evaluate the appropriateness of accounting policies used in the preparation of the consolidated financial statements and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Consolidated Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Samjong Accounting Corp.  
Seoul, Korea  
March 31, 2023

This report is effective as of March 31, 2023, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

# Consolidated Financial Statements

## Consolidated Statements of Financial Position

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF DECEMBER 31, 2022 AND 2021

(Unit : Korean won in millions)

	December 31, 2022		December 31, 2021	
<b>ASSETS:</b>				
<b>Cash and due from financial institutions (Notes 4, 5 and 7)</b>	₩	10,413,461	₩	4,524,601
Financial assets at fair value through profit or loss ("FVTPL") (Notes 4, 5, 8 and 20)		4,172,754		2,598,204
Hedging derivative assets (Notes 4, 5 and 20)		329,216		561,911
Loans at amortized cost (Notes 4, 5, 10 and 37)		90,016,780		78,060,437
Financial investments (Notes 4, 5 and 9)		13,957,065		13,242,054
Investments in associates (Note 11)		1,266,190		1,226,860
Tangible assets, net (Note 12)		278,814		272,844
Intangible assets, net (Note 13)		44,388		34,929
Deferred tax assets (Note 34)		823,104		837,918
Retirement benefit assets, net (Note 18)		44,984		13,275
Other assets (Notes 4, 5, 14 and 37)		1,827,125		875,954
	₩	123,173,881	₩	102,248,987
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>LIABILITIES:</b>				
Financial liabilities at FVTPL (Notes 4, 5 and 20)	₩	2,513,487	₩	768,115
Hedging derivative liabilities (Notes 4, 5 and 20)		2,356,921		661,057
Borrowings (Notes 4, 5 and 15)		11,053,125		6,288,123
Debentures (Notes 4, 5 and 16)		87,791,623		76,486,053
Provisions (Note 17)		1,094,241		621,455
Current tax liabilities		104,135		1,209
Deferred tax liabilities (Note 34)		2,407		2,158
Other liabilities (Notes 4, 5, 19 and 37)		2,722,891		2,005,624
		107,638,830		86,833,794
<b>STOCKHOLDERS' EQUITY:</b>				
Equity attributable to the owners of the parent company:				
Capital stock (Note 1 and 21)		12,773,254		12,748,254
Capital adjustments		(133,840)		(133,716)
Other components of equity (Notes 20 and 22)		737,621		878,432
Retained earnings (Note 23) (Regulatory reserve for loan losses as of December 31, 2022, and December 31, 2021: ₩238,330 million and ₩151,180 million)		2,154,694		1,918,873
		15,531,729		15,411,843
Non-controlling interests		3,322		3,350
		15,535,051		15,415,193
	₩	123,173,881	₩	102,248,987

# Consolidated Financial Statements (Continued)

## Consolidated Statements of Comprehensive Income

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Unit : Korean won in millions)

	2022		2021	
<b>OPERATING INCOME:</b>				
<b>Net interest income (Notes 24 and 37):</b>				
Interest income	₩	3,125,103	₩	1,774,314
Interest expenses		(2,137,804)		(847,618)
		987,299		926,696
<b>Net commission income (Notes 25 and 37):</b>				
Commission income		367,008		313,920
Commission expenses		(32,234)		(26,818)
		334,774		287,102
<b>Dividend income (Note 26)</b>		60,627		49,889
<b>Net gain (loss) on financial assets at FVTPL (Note 27)</b>		(305,507)		126,988
<b>Net gain (loss) on hedging derivative assets (Notes 20 and 28)</b>		(3,223,833)		(1,556,305)
<b>Net gain (loss) on financial investments (Note 29)</b>		(295)		3,102
<b>Net gain (loss) on foreign exchange transactions</b>		514,731		354,354
<b>Net other operating incomes (expenses) (Note 30)</b>		3,173,476		1,191,314
<b>Additional impairment loss on credit (Note 31 and 37)</b>		(682,556)		(371,354)
<b>General and administrative expenses (Note 32)</b>		(277,567)		(259,765)
<b>Total operating income</b>		581,149		752,021
<b>NON-OPERATING INCOME (Note 33):</b>				
Net gain (loss) on investments in associates		32,850		(48,340)
Net other non-operating incomes (expenses)		(5,252)		(10,733)
		27,598		(59,073)
<b>PROFIT BEFORE INCOME TAX</b>		608,747		692,948
<b>INCOME TAX EXPENSES (Note 34)</b>		(193,198)		(211,226)
<b>PROFIT FOR THE YEAR</b>		415,549		481,722
(Profit for the year after regulatory reserve for loan losses for the years ended December 31, 2022 and 2021: ₩ 378,091 million and ₩ 394,585 million) (Note 23)				
Profit attributable to the owners of the parent company		415,484		481,735
Profit (Loss) attributable to the non-controlling interests		65		(13)
<b>OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR (Note 22):</b>				
<b>Items not reclassified subsequently to profit or loss:</b>				
Net gain (loss) on equity securities at FVOCI		37,176		91,968
Remeasurements of net defined benefit liability		23,879		9,248
Income tax effect		(2,878)		(24,494)
<b>Items that are or may be reclassified subsequently to profit or loss:</b>				
Net gain (loss) on debt securities at FVOCI		(330,359)		(7,723)
Net gain (loss) on valuation of cash flow hedge		46,612		3,913
Net other comprehensive gain (loss) on investment in associates		(2,014)		12,012
Net gain (loss) on overseas business translation		19,813		36,280
Income tax effect		66,260		(2,344)
		(141,511)		118,860
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	₩	274,038	₩	600,582
Comprehensive income (loss) attributable to the owners of the parent company		274,066		600,365
Comprehensive income (loss) attributable to the non-controlling interests		(28)		217

# Consolidated Statements of Changes in Equity

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Unit : Korean won in millions)

	Other components of equity											
	Capital stock	Capital adjustments	Valuation on financial assets at FVOCI	Cash flow hedging gains or losses	Other comprehensive income (loss) on investments in associates	Gain (Loss) on overseas business translation	Gain(Loss) on disposal of FVOCI financial instruments	Remeasurement net of defined benefit assets	Retained earnings	Equity attributable to the owners of the parent company	Non-controlling interests	Total equity
January 1, 2021	₩ 12,449,456	₩ (132,270)	₩ 856,296	₩ 3	₩ (10,416)	₩ (35,833)	₩ (62,104)	₩ 11,855	₩ 1,471,992	₩ 14,548,979	₩ 3,133	₩ 14,552,112
Payment of dividends	-	-	-	-	-	-	-	-	(40,759)	(40,759)	-	(40,759)
Paid-in Capital Increase	298,798	(1,446)	-	-	-	-	-	-	-	297,352	-	297,352
Total comprehensive income	-	-	-	-	-	-	-	-	-	606,271	217	606,488
Profit for the year	-	-	-	-	-	-	-	-	481,735	481,735	(13)	481,722
Transition to Retained earnings	-	-	-	-	-	-	-	-	5,905	5,905	-	5,905
Other comprehensive income:	-	-	-	-	-	-	-	-	-	118,631	230	118,861
Gain on valuation of financial assets at FVOCI, net of tax	-	-	71,695	-	-	-	-	-	-	71,695	-	71,695
Gain on valuation of cash flow hedge, net of tax	-	-	-	2,965	-	-	-	-	-	2,965	-	2,965
Loss on disposal of FVOCI financial instruments, net of tax	-	-	-	-	-	-	(7,836)	-	-	(7,836)	-	(7,836)
Other comprehensive income or loss on investments in associates, net of tax	-	-	-	-	9,106	-	-	-	-	9,106	-	9,106
Remeasurement elements of defined benefit plans, net of tax	-	-	-	-	-	-	-	7,010	-	7,010	-	7,010
Translation of overseas business, net of tax	-	-	-	-	-	35,691	-	-	-	35,691	230	35,921
<b>December 31, 2021</b>	<b>₩ 12,748,254</b>	<b>₩ (133,716)</b>	<b>₩ 927,991</b>	<b>₩ 2,968</b>	<b>₩ (1,310)</b>	<b>₩ (142)</b>	<b>₩ (69,940)</b>	<b>₩ 18,865</b>	<b>₩ 1,918,873</b>	<b>₩ 15,411,843</b>	<b>₩ 3,350</b>	<b>₩ 15,415,193</b>
January 1, 2022	₩ 12,748,254	₩ (133,716)	₩ 927,991	₩ 2,968	₩ (1,310)	₩ (142)	₩ (69,940)	₩ 18,865	₩ 1,918,873	₩ 15,411,843	₩ 3,350	₩ 15,415,193
Payment of dividends	-	-	-	-	-	-	-	-	(191,256)	(191,256)	-	(191,256)
Paid-in Capital Increase	25,000	(124)	-	-	-	-	-	-	-	24,876	-	24,876
Total comprehensive income	-	-	-	-	-	-	-	-	-	286,266	(28)	286,238
Profit for the year	-	-	-	-	-	-	-	-	415,484	415,484	65	415,549
Transition to Retained earnings	-	-	-	-	-	-	-	-	11,593	11,593	-	11,593
Other comprehensive income:	-	-	-	-	-	-	-	-	-	(140,811)	(93)	(140,904)
Gain on valuation of financial assets at FVOCI, net of tax	-	-	(290,044)	-	-	-	-	-	-	(290,044)	-	(290,044)
Gain on valuation of cash flow hedge, net of tax	-	-	-	35,837	-	-	-	-	-	35,837	-	35,837
Gain on disposal of FVOCI financial instruments, net of tax	-	-	-	-	-	-	76,117	-	-	76,117	-	76,117
Other comprehensive income or loss on investments in associates, net of tax	-	-	-	-	(939)	-	-	-	-	(939)	-	(939)
Remeasurement elements of defined benefit plans, net of tax	-	-	-	-	-	-	-	18,589	-	18,589	-	18,589
Translation of overseas business, net of tax	-	-	-	-	-	19,629	-	-	-	19,629	(93)	19,536
<b>December 31, 2022</b>	<b>₩ 12,773,254</b>	<b>₩ (133,840)</b>	<b>₩ 637,947</b>	<b>₩ 38,805</b>	<b>₩ (2,249)</b>	<b>₩ 19,487</b>	<b>₩ 6,177</b>	<b>₩ 37,454</b>	<b>₩ 2,154,694</b>	<b>₩ 15,531,729</b>	<b>₩ 3,322</b>	<b>₩ 15,535,051</b>

# Consolidated Financial Statements (Continued)

## Consolidated Statements of Cash Flows

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Unit : Korean won in millions)

	2022		2021	
	W		W	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
<b>Profit for the year</b>		415,549		481,722
<b>Adjustments for:</b>				
Income tax expenses		193,199		211,226
Interest income		(3,125,103)		(1,774,314)
Interest expenses		2,137,804		847,618
Dividend and distribution income		(80,566)		(65,705)
Loss on financial assets at FVTPL		16,362		12,951
Loss on financial assets at FVOCI		583		1,051
Loss on financial assets at amortized cost		-		400
Transfer to derivatives' credit risk provision		5,982		13,863
Loss on redemption of bonds		64		-
Loss on foreign exchange transactions		1,922,633		988,938
Impairment loss on credit		682,556		371,354
Loss on investment in associates		1,079		104,609
Loss on fair value hedged items		273,771		10,284
Depreciation and amortization		20,565		18,691
Loss on disposal of tangible, intangible and other assets		2		51
Loss on valuation of derivative assets for trading		2,330,999		996,182
Loss on valuation of derivative assets for hedging		2,324,297		1,248,226
Retirement benefits		11,064		20,940
Gain on financial assets at FVTPL		(36,319)		(19,351)
Gain on financial assets at FVOCI		(235)		(4,671)
Gain on financial assets at amortized cost		(53)		-
Gain on investments in associates		(33,321)		(56,269)
Reversal of derivatives' credit risk provision		(17,165)		(11,958)
Gain on foreign exchange transactions		(2,437,364)		(1,358,595)
Gain on fair value hedged items		(3,439,246)		(1,242,036)
Gain on valuation of derivative assets for trading		(1,567,207)		(856,142)
Gain on valuation of derivative assets for hedging		(297,788)		(32,458)
Gain on disposal of tangible, intangible and other assets		(85)		(119)
		(1,113,492)		(575,234)
<b>Changes in operating assets and liabilities:</b>				
Due from financial institutions		(3,865,381)		(352,286)
Financial assets and liabilities at FVTPL		(533,003)		780,072
Hedging derivative assets and liabilities		(79,826)		(31,914)
Loans at amortized cost		(9,089,352)		(96,981)
Other assets		(1,220,993)		(36,996)
Provisions		39,639		(402,988)
Net defined benefit liabilities		(18,886)		(20,798)
Other liabilities		410,241		(611,104)
		(14,357,561)		(772,995)

(Unit : Korean won in millions)

	2021	2020
Payment of income tax	(12,015)	(3,253)
Interest received	3,117,384	1,722,969
Interest paid	(1,635,481)	(710,404)
Dividend received	85,950	76,326
Net cash provided by (used in) operating activities	₩ (13,499,666)	₩ 219,131
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Disposals of financial investments	₩ 1,525,768	₩ 1,307,927
Disposal of investments in associates	2,405	-
Disposals of tangible assets	99	1,008
Disposals of intangible assets	74	-
Acquisitions of financial investments	(2,074,478)	(2,484,273)
Acquisition of investments in associates	(1,188)	(26,461)
Acquisitions of tangible assets	(16,896)	(16,354)
Acquisitions of intangible assets	(19,142)	(17,202)
Net cash used in investing activities	(583,358)	(1,235,355)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Increase in call money	-	774,120
Proceeds from borrowings	11,683,576	3,521,006
Proceeds from debentures	20,853,080	15,724,020
Paid-in capital increase	25,000	298,798
Increase in deposits	2	192
Decrease in call money	(752,829)	-
Repayment of borrowings	(6,492,796)	(5,176,698)
Repayment of debentures	(9,245,611)	(14,137,265)
Expense related to paid-in capital increase	(124)	(1,446)
Payment of dividends	(191,256)	(40,759)
Decrease in deposits	(2)	-
Net cash provided by financing activities	15,879,040	961,968
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,796,016	(54,256)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	3,208,106	3,138,955
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS IN FOREIGN CURRENCIES	259,282	123,407
CASH AND CASH EQUIVALENTS, END OF THE YEAR (Note 7, 35)	₩ 5,263,404	₩ 3,208,106

# Notes to the Consolidated Financial Statements

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

## 1. GENERAL:

### (1) Summary of the Export-Import Bank of Korea

The Export-Import Bank of Korea (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, 2022, the Bank operates a head office in Seoul, ten domestic branches, three domestic offices, a domestic subsidiary, five overseas subsidiaries and twenty-four overseas offices.

The Bank’s authorized capital is ₩15,000,000 million, and through numerous capital increases since the establishment, its paid-in capital is ₩12,773,254 million as of December 31, 2022. The Government of the Republic of Korea (the “Government”), the Bank of Korea (“BOK”), and the Korea Development Bank hold 68.80%, 9.12%, 22.08%, respectively, of the ownership of the Bank as of December 31, 2022.

The Bank, as a trustee of the Government, has managed the Economic Development Cooperation Fund (“EDCF”) since June 1987 and the Inter-Korean Cooperation Fund (“IKCF”) 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 subsidiaries of the Consolidated Entity, in accordance with Korean International Financial Reporting Standards (“K-IFRS”) No.1110, ‘Consolidated Financial Statements’, as of December 31, 2022, and December 31, 2021, are as follows:

(December 31, 2022)

Subsidiaries	Location	Capital stock		Main business	Number of shares owned	Percentage of ownership (%)	Financial statements as of
KEXIM Bank UK Limited	United Kingdom	GBP	81mil.	Finance	81,283,897	100.00	Dec. 31, 2022
KEXIM Vietnam Leasing Co. (*1)	Vietnam	USD	53mil.	Finance	-	100.00	Dec. 31, 2022
PT.KOEXIM Mandiri Finance	Indonesia	IDR	52,000mil.	Finance	442	85.00	Dec. 31, 2022
KEXIM Asia Limited	Hong Kong	USD	130mil.	Finance	130,000,000	100.00	Dec. 31, 2022
KEXIM Global(Singapore) Ltd.	Singapore	USD	300mil.	Finance	300,000,000	100.00	Dec. 31, 2022
EXIM PLUS Co., Ltd.	Korea	KRW	950mil.	Service	190,000	100.00	Dec. 31, 2022

(\*1) This entity does not issue share certificates.

(December 31, 2021)

Subsidiaries	Location	Capital stock		Main business	Number of shares owned	Percentage of ownership (%)	Financial statements as of
KEXIM Bank UK Limited	United Kingdom	GBP	81mil.	Finance	81,283,897	100.00	Dec. 31, 2021
KEXIM Vietnam Leasing Co. (*1)	Vietnam	USD	53mil.	Finance	-	100.00	Dec. 31, 2021
PT.KOEXIM Mandiri Finance	Indonesia	IDR	52,000mil.	Finance	442	85.00	Dec. 31, 2021
KEXIM Asia Limited	Hong Kong	USD	130mil.	Finance	130,000,000	100.00	Dec. 31, 2021
EXIM PLUS Co., Ltd.	Korea	KRW	950mil.	Service	190,000	100.00	Dec. 31, 2021

(\*1) This entity does not issue share certificates.

2) Summary of financial information for subsidiaries as of and for the years ended December 31, 2022, and as of and for year ended December 31, 2021, are as follows (Korean won in millions):



(December 31, 2022)

Subsidiaries	Assets		Liabilities		Equity		Profit(loss) for the year	Total comprehensive income (loss)		
KEXIM Bank UK Limited	₩	791,592	₩	651,156	₩	140,436	₩	3,138	₩	(11,964)
KEXIM Vietnam Leasing Co.		247,692		169,831		77,861		2,544		7,362
PT. KOEXIM Mandiri Finance		161,656		139,508		22,148		431		(190)
KEXIM Asia Limited		909,779		705,427		204,352		5,971		6,202
KEXIM Global(Singapore) Ltd.		383,597		6,589		377,008		(3,164)		4,497
EXIM PLUS Co., Ltd.		2,407		1,055		1,352		172		172
<b>Total</b>	<b>₩</b>	<b>2,496,723</b>	<b>₩</b>	<b>1,673,566</b>	<b>₩</b>	<b>823,157</b>	<b>₩</b>	<b>9,092</b>	<b>₩</b>	<b>6,079</b>

(December 31, 2021)

Subsidiaries	Assets		Liabilities		Equity		Profit(loss) for the year	Total comprehensive income		
KEXIM Bank UK Limited	₩	616,064	₩	463,664	₩	152,400	₩	(22)	₩	8,281
KEXIM Vietnam Leasing Co.		252,008		181,509		70,499		1,400		7,133
PT. KOEXIM Mandiri Finance		167,815		145,477		22,338		(86)		1,449
KEXIM Asia Limited		735,531		537,381		198,150		4,515		18,221
EXIM PLUS Co., Ltd.		2,004		824		1,180		164		164
<b>Total</b>	<b>₩</b>	<b>1,773,422</b>	<b>₩</b>	<b>1,328,855</b>	<b>₩</b>	<b>444,567</b>	<b>₩</b>	<b>5,971</b>	<b>₩</b>	<b>35,248</b>

3) TThe 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 No.1110, therefore, those structured entities are not consolidated to the Consolidated Entity.

These arrangements are accounted for as structured finance based on the nature and purpose of their investments and the risk the Consolidated Entity is exposed to, as detailed below.

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. SOC is a financing method for large risk business and investment decisions are made by business outlook of the project itself rather than a credit of the investors or collateral. The investors take profits 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.

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, 2022 and 2021 are as follows (Korean won in millions):

	Dec. 31, 2022		Dec. 31, 2021	
Total assets of unconsolidated structured entities	₩	201,075,174	₩	305,505,122
Assets involved in unconsolidated structured entities		18,702,742		18,509,970
Loans and receivables		18,508,377		18,432,292
Other assets		194,365		77,678
Liabilities involved in unconsolidated structured entities		1,018,708		1,021,871
Provisions		979,422		954,477
Other liabilities		39,286		67,394
Maximum exposure to risks		27,835,842		26,509,220
Investment assets		19,103,690		18,017,439
Granting of credit		8,732,152		8,491,781

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

## 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES:

### (1) Basis of Financial Statement Presentation

The Consolidated Entity's consolidated financial statements are prepared under K-IFRS.

### (2) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- Derivative financial instruments measured at fair value
- Financial assets measured at fair value through profit or loss
- Financial assets measured at fair value through other comprehensive income
- Financial assets and liabilities designated as hedged items in a fair value hedge accounting of which changes in fair value attributable to the hedged risk are recognized in profit or loss
- Liabilities for defined benefit plans, which are recognized as net of the total present value of defined benefit obligations less the fair value of plan assets

### (3) Functional and Presentation Currency

These consolidated financial statements are presented in Korean won, which is the currency of the primary economic environment in which the Consolidated Entity operates.

### (4) Significant Estimates and Judgments

The preparation of consolidated financial statements requires the application of accounting policies and certain critical accounting estimates and assumptions may have a significant impact on assets (liabilities) and income (expenses). The management's estimate may differ from the actual outcome if the management's estimate and assumption 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.

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 that are not actively traded in the market and with less transparent market price, will have less objective fair value and will require judgment in liquidity, concentration, uncertainty in market factors and assumption in price determination and other risks.

As described in the significant accounting policies '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 recognizes credit loss allowance for expected credit losses on debt instruments, loans and receivables that are measured at amortized cost, loan commitments and financial guarantee contracts in accordance with K-IFRS No. 1109 'Financial Instruments'. The allowance is determined by techniques, assumptions and input variables used by the Consolidated Entity to measure expected future cash flows of individual financial instruments and to measure expected credit losses in a collective manner.

### 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.

### 4) Income taxes

The Consolidated Entity has recognized current and deferred taxes that reflect tax consequences based on the best estimates 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. However, actual income taxes in the future may not be identical to the recognized deferred tax assets and liabilities, and this difference can affect current and deferred tax at the period when the final tax effect is determined.

### 5) Hedging relationship

The Consolidated Entity expects a high hedge effectiveness throughout the hedging period in designating the hedging relationship and it is probable that the hedged transaction will be highly probable in the cash flow hedge.

## **(5) Changes in Accounting Policies**

The Consolidated Entity has adopted the same accounting policies that applied to the consolidated financial statements as of and for the year ended December 31, 2021, except for the application of the first amendment standard, effective from January 1, 2022, as explained below.

### 1) Amendments to K-IFRS No. 1116 'Leases' – COVID-19-Related Rent Concessions, etc. beyond June 30, 2021

The application of the practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification, is extended to lease payments originally due on or before June 30, 2022. A lessee shall apply the practical expedient consistently to eligible contracts with similar characteristics and in similar circumstances. The amendments should be applied for annual reporting periods beginning on or after April 1, 2022, and earlier application is permitted. The Consolidated Entity does not expect that these amendments have a significant impact on the consolidated financial statements.

### 2) Amendments to K-IFRS No. 1016 'Property, Plant and Equipment' – Proceeds Before Intended Use

The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while the entity is preparing the asset for its intended use. Instead, the entity will recognize the proceeds from selling such items, and the costs of producing those items, as profit or loss. The amendments should be applied for annual reporting periods beginning on or after January 1, 2022, and earlier application is permitted. The Consolidated Entity does not expect that these amendments have a significant impact on the consolidated financial statements.

### 3) Amendments to K-IFRS No. 1103 'Business Combinations' – quotation of Conceptual Framework

The Amendments update a reference of definition of assets and liabilities to qualify for recognition in revised Conceptual Framework for Financial Reporting. However, the amendments add an exception for the recognition of liabilities and contingent liabilities within the scope of K-IFRS No.1037 Provisions, Contingent Liabilities and Contingent Assets, and K-IFRS No.2121 Levies. The amendments also confirm that contingent assets should not be recognized at the acquisition date. The amendments should be applied for annual reporting periods beginning on or after January 1, 2022, and earlier application is permitted. The Consolidated Entity does not expect that these amendments have a significant impact on the consolidated financial statements.

### 4) Amendments to K-IFRS No. 1037 'Provisions, Contingent Liabilities and Contingent Assets' – Onerous Contracts: Cost of Fulfilling a Contract

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts when assessing whether the contract is onerous. The amendments should be applied for annual reporting periods beginning on or after January 1, 2022, and earlier application is permitted. The Consolidated Entity does not expect that these amendments have a significant impact on the consolidated financial statements.

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

## 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.

### **(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 over the investee to affect the amount of the investor's return. The Bank reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Consolidated Entity 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 activities of the investee unilaterally. The Consolidated Entity considers all relevant facts and circumstances in assessing whether or not the Consolidated Entity's voting rights in an investee are sufficient to give it power, including:

- The size of the Consolidated Entity'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 Consolidated Entity 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 stockholders' meetings.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, respectively, as appropriate. The carrying amount of non-controlling interests is adjusted to reflect their proportional share of changes in equity subsequent to the initial recognition. Total comprehensive income of subsidiaries is attributed to the owners of the Consolidated Entity and the non-controlling interests even if this result in the non-controlling interests has 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 amount 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 No.1109, 'Financial Instruments' or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### **(3) Business Combinations**

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 No.1012, 'Income Taxes' and K-IFRS No.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 No.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 No.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 No.1109, 'Financial Instruments', or K-IFRS No.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 net income of current period and the financial results of associates and 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 No.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

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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 No.1109. 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 No.1105 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 No.1109, 'Financial Instruments' 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 No.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 No.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 subsidiary 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 amount 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 reattributes 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) Cash and Cash Equivalents**

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

## **(7) Non-derivative Financial Assets**

Financial assets are recognized when The Consolidated Entity becomes a party to the contractual provisions of the instrument. In addition, a regular way purchase or sale (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 regulation or convention in the market concerned) is recognized on the trade date.

A financial asset is measured initially at its fair value plus, for an item not at Fair Value Through Profit or Loss ("FVTPL"), transaction costs that are directly attributable to its acquisition of the financial asset. Transaction costs on the financial assets at FVTPL that are directly attributable to the acquisition are recognized in profit or loss as incurred.

### 1) Financial assets designated at FVTPL

Financial assets can be irrevocably designated as measured at FVTPL despite of classification standards stated below, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains or losses on them on different bases.

### 2) Equity instruments

For the equity instruments that are not held for trading, at initial recognition, The Consolidated Entity may make an irrevocable election to present subsequent changes in fair value in other comprehensive income. Equity instruments that are not classified as financial assets at Fair Value through Other Comprehensive Income ("FVOCI") are classified as financial assets at FVTPL.

The Consolidated Entity subsequently measures all equity investments at fair value. Valuation gains or losses of the equity instruments that are classified as financial assets at FVOCI previously recognized as other comprehensive income is not reclassified as profit or loss on derecognition. The Consolidated Entity recognizes dividends in profit or loss when The Consolidated Entity's right to receive payments of the dividend is established.

Valuation gains or losses due to changes in fair value of the financial assets at FVTPL are recognized as gains or losses on financial assets at FVTPL. Impairment loss (reversal) on equity instruments at FVOCI is not recognized separately.

### 3) Debt instruments

Subsequent measurement of debt instruments depends on The Consolidated Entity's business model in which the asset is managed and the contractual cash flow characteristics of the asset. Debt instruments are classified as financial assets at amortized cost, at FVOCI, or at FVTPL. Debt instruments are reclassified only when The Consolidated Entity's business model changes.

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

① Financial assets at amortized cost

Assets that are held within a business model whose objective is to hold assets to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Impairment losses, and gains or losses on derecognition of the financial assets at amortized cost are recognized in profit or loss. Interest income on the effective interest method is included in the 'Interest income' in the consolidated statement of comprehensive income.

② Financial assets at FVOCI

Assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Other than impairment losses, interest income amortized using effective interest method and foreign exchange differences, gains or losses of the financial assets at FVOCI are recognized as other comprehensive income in equity. On derecognition, gains or losses accumulated in other comprehensive income are reclassified to profit or loss. The interest income on the effective interest method is included in the 'Interest income' in the consolidated statement of comprehensive income. Foreign exchange differences and impairment losses are included in the 'Net foreign currency transaction gain' and 'Impairment loss on credit' in the consolidated statement of comprehensive income, respectively.

③ Financial assets at FVTPL

Debt securities other than financial assets at amortized costs or FVOCI are classified at FVTPL. Unless hedge accounting is applied, gains or losses from financial assets at FVTPL are recognized as profit or loss and are included in 'Net gain on financial assets at fair value through profit or loss' in the consolidated statement of comprehensive income.

4) Embedded derivatives

Financial assets with embedded derivatives are classified regarding the entire hybrid contract, and the embedded derivatives are not separately recognized. The entire hybrid contract is considered when it is determined whether the contractual cash flows represent solely payments of principal and interest.

5) Derecognition of financial assets

The Consolidated Entity derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by The Consolidated Entity is recognized as a separate asset or liability.

If The Consolidated Entity retains substantially all the risks and rewards of ownership of the transferred financial assets, The Consolidated Entity continues to recognize the transferred financial assets and recognizes financial liabilities for the consideration received.

6) Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position 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.

## **(8) Derivative Financial Instruments**

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

1) Hedge accounting

The Consolidated Entity holds forward exchange contracts, interest rate swaps, currency swaps and other derivative contracts to manage interest rate risk and foreign exchange risk. The Consolidated Entity designated derivatives as hedging instruments to hedge the risk of changes in the fair value of assets, liabilities or firm commitments (a fair value hedge) and foreign currency risk of highly probable forecasted transactions or firm commitments (a cash flow hedge).

On initial designation of the hedge, The Consolidated Entity formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.



#### ① Fair value hedge

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss. The gain or loss from remeasuring the hedging instrument at fair value for a derivative hedging instrument and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss in the same line item of the consolidated statement of comprehensive income.

The Consolidated Entity discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, or if the hedge no longer meets the criteria. Any adjustment arising from G/L on the hedged item attributable to the hedged risk is amortized to profit or loss from the date the hedge accounting is discontinued.

#### ② Cash flow hedge

When a derivative is designated to hedge the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income, net of tax, and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income is reclassified to profit or loss in the periods during which the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss.

#### ③ Net investment hedge

The portion of the change in fair value of a financial instrument designated as a hedging instrument that meets the requirements for hedge accounting for a net investment in a foreign operation is recognized in other comprehensive income and the ineffective portion of the hedge is recognized in profit or loss. The portion recognized as other comprehensive income that is effective as a hedge is recognized in the statement of comprehensive income as a result of reclassification adjustments in accordance with K-IFRS No. 1021, 'Effect of Changes in Foreign Exchange Rates' at the time of disposing of its overseas operations or disposing of a portion of its overseas operations to profit or loss.

#### 2) Other derivative financial instruments

Changes in the fair value of other derivative financial instrument not designated as a hedging instrument are recognized immediately in profit or loss.

#### 3) Unobservable valuation differences at initial recognition

Any difference between the fair value of over the counter derivatives at initial recognition and the amount that would be determined at that date using a valuation technique in a situation in which the valuation is dependent on unobservable parameters is not recognized in profit or loss but is recognized on a straight-line basis over the life of the instrument or immediately when the fair value becomes observable.

### **(9) Impairment: Financial Assets**

The Consolidated Entity measures expected credit loss and recognizes loss allowance at the end of the reporting period for financial assets measured at amortized cost and fair value through other comprehensive income with the exception of financial asset measured at fair value through profit or loss.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. The Consolidated Entity measures expected credit losses by reflecting reasonable and supportable information that is reasonably available at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future economic conditions.

The Consolidated Entity uses the following three measurement techniques in accordance with K-IFRS:

- General approach: for financial assets and off-balance-sheet unused credit line that are not applied below two approaches
- Credit-impaired approach: for purchased or originated credit-impaired financial assets

Different measurement approaches are applied depending on significant increase in credit risk. 12 months expected credit losses is recognized when credit risk has not significantly increased since initial recognition. A loss allowance at an amount equal to lifetime expected credit losses is recognized when credit risk has significantly increased since initial recognition. Lifetime is presumed to be a period to the contractual maturity date of a financial asset (the expected life of the financial asset).

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

One or more of the following items is deemed significant increase in credit risk. When the contractual cash flows of a financial asset are renegotiated or otherwise modified, The Consolidated Entity determines whether the credit risk has increased significantly since initial recognition using the following information.

- more than 30 days past due;
- decline in credit rating at period end by more than certain notches as compared to that at initial recognition;
- the soundness of the assets is under precautionary from the grade table by Korean Financial Supervisory service

The Consolidated Entity generally deems one or more of the following items credit-impaired:

- no less than 90 days past due
- legal proceedings related to collection
- a borrower that has received a credit-warning from Korea Credit Information Services
- corporate borrowers that are considered impaired (internally rating S, D, or F)
- a borrower with the external auditor's opinion that is qualified or disclaimer
- negative capital and
- debt restructuring.

## 1) Forward-looking information

The Consolidated Entity uses forward-looking information, when it measures expected credit losses.

The Consolidated Entity assumes 'probability of default' (PD), which is one of the risk component has a certain correlation with the business cycle, and calculates the expected credit loss by reflecting the forward-looking information with macroeconomic variables on the measurement inputs.

## 2) Measuring expected credit losses on financial assets at amortized cost

The amount of the loss on financial assets at amortized cost 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.

The Consolidated Entity estimates expected future cash flows for financial assets that are individually significant (individual assessment of impairment).

For financial assets that are not individually significant, The Consolidated Entity collectively estimates expected credit loss by grouping loans with homogeneous credit risk profile (collective assessment of impairment).

### ① Individual assessment of impairment

Individual assessment of impairment losses are calculated using management's best estimate on present value of expected future cash flows. The Consolidated Entity uses all the available information including operating cash flow of the borrower and net realizable value of any collateral held.

### ② Collective assessment of impairment

Collective assessment of loss allowance involves historical loss experience along with incorporation of forward-looking information. Such process incorporates factors such as type of collateral, product and borrowers, credit rating, size of portfolio and recovery period and applies 'probability of default'(PD) on a group of assets and 'loss given default'(LGD) by type of recovery method. Also, the expected credit loss model involves certain assumption to determine input based on loss experience and forward-looking information. These models and assumptions are periodically reviewed to reduce gap between loss estimate and actual loss experience.

Lifetime expected credit loss as at the end of the reporting period is calculated by product based on the carrying amount net of expected repayment, PD for each period and LGD adjusted by change in carrying amount.

## 3) Measuring expected credit losses on financial assets at fair value through other comprehensive income

Measuring method of expected credit losses on financial assets at fair value through other comprehensive income is equal to the method of financial assets at amortized cost, except for loss allowances that are recognized as other comprehensive income. Amounts recognized in other comprehensive income for sale or repayment of financial assets at fair value through other comprehensive income are reclassified to profit or loss.

## **(10) Tangible Assets**

### 1) Recognition and measurement

All property and equipment that qualify for recognition as an asset are measured at their cost and subsequently carried at their 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. If part of an item of an asset has a useful life different from that of the entire asset, 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.

<b>Property and equipment</b>	<b>Estimated useful lives</b>
Buildings and structures	10–60 years
Leasehold Improvements	5 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.

## **(11) 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 assets are available for use.

<b>Intangible assets</b>	<b>Estimated useful lives</b>
Software	5 years
System development costs	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.

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

## **(12) 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.

The 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 estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and such impairment loss is recognized immediately in profit or loss.

## **(13) Financial Liabilities at FVTPL**

Financial liabilities at FVTPL include contingent consideration that may be paid by an acquirer as part of a business combination to which K-IFRS No.1103, 'Business Combination' applies, 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 transaction cost is recognized in current profit or loss.

## **(14) Provisions**

A provision is recognized if The Consolidated Entity has a present obligation (legal or constructive) as a result of the 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, and unused credit line of corporate loans are recognized using valuation model that applies the credit conversion factor, default rates, and loss given default. 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.

## **(15) 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 greater of:

- The amount determined in accordance with K-IFRS No.1109, 'Financial Instruments' and
- The initial amount recognized, less, when appropriate, cumulative amortization recognized in accordance with K-IFRS No.1115, 'Revenue from Contracts with Customers'

## **(16) 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.

### **(17) 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.

### **(18) 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.

### **(19) 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 investments is recognized in profit or loss as part of dividend income in the consolidated statements of comprehensive income.

### **(20) 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

The Consolidated Entity's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for The Consolidated Entity, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. The Consolidated Entity determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Consolidated Entity recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

### 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.

## **(21) Income Taxes**

Income tax expense represents the sum of the tax currently payable and deferred tax and is recognized as profit or loss, except for taxes directly adjusted in equity or other comprehensive income and loss and for taxes that arise from 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 base 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 the 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 entity 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.

## **(22) New Standards and Interpretations Not Yet Adopted**

The following new standards and amendments to existing standards have been published and are mandatory for The Consolidated Entity to adopt for annual periods beginning on or after January 1, 2022, and The Consolidated Entity has not early adopted them.

The following new standards and amendments to existing standards are not expected to significantly affect the Consolidated Entity:

1) Amendments to K-IFRS No.1001 Presentation of Financial Statements - Classification of Liabilities as Current or Non-current

The amendments clarify that liabilities are classified as either current or non-current, depending on the substantive rights that exist at the end of the reporting period. Classification is unaffected by the likelihood that an entity will exercise the right to defer settlement of the liability or the management's expectations thereof. Also, the settlement of liability includes the transfer of the entity's own equity instruments; however, it would be excluded if an option to settle the liability by the transfer of the entity's own equity instruments is recognized separately from the liability as an equity component of a compound financial instrument. The amendments should be applied for annual reporting periods beginning on or after January 1, 2023, and earlier application is permitted. The Consolidated Entity does not expect that these amendments have a significant impact on the consolidated financial statements.

2) Amendments to K-IFRS No.1001 Presentation of Financial Statements – Accounting Policy Disclosure

The amendments require an entity to define and disclose their material accounting policy information. The amendments should be applied for annual reporting periods beginning on or after January 1, 2023, and earlier application is permitted. The Consolidated Entity does not expect that these amendments have a significant impact on the consolidated financial statements.

3) Amendments to K-IFRS No.1008 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

The amendments introduce the definition of accounting estimates and clarify how to distinguish changes in accounting estimates from changes in accounting policies. The amendments should be applied for annual reporting periods beginning on or after January 1, 2023, and earlier application is permitted. The Consolidated Entity does not expect that these amendments have a significant impact on the consolidated financial statements.

4) Amendments to K-IFRS No.1012 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

The amendments narrow the scope of the deferred tax recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments should be applied for annual reporting periods beginning on or after January 1, 2023, and earlier application is permitted. The Consolidated Entity does not expect that these amendments have a significant impact on the consolidated financial statements.

5) Amendments to K-IFRS No.1001 Presentation of Financial Statements - Disclosure of gains or losses on valuation of financial liabilities subject to exercise price adjustment conditions

The amendments require disclosures about gains or losses on valuation occurred for the reporting period (but are limited to those included in profit or loss) for the conversion options or warrants (or financial liabilities with warrants), if all or part of the financial instrument whose exercise price is adjusted due to the issuers' stock price fluctuations, are classified as financial liabilities according to paragraph 11 of K-IFRS No.1032 Financial Instruments: Presentation. The amendments should be applied for annual reporting periods beginning on or after January 1, 2023, and earlier application is permitted. The Consolidated Entity does not expect that these amendments have a significant impact on the consolidated financial statements.

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

## 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 risks 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.



### (3) Maximum Exposure to Credit Risk

The Consolidated Entity's maximum exposure of financial instruments to credit risk as of December 31, 2022 and 2021 are as follows (Korean won in millions):

	Dec. 31, 2022		Dec. 31, 2021	
Cash and due from financial institutions (*1)	₩	10,413,460	₩	4,524,600
Financial assets at FVTPL		4,168,063		2,590,247
Hedging derivative assets		329,216		561,911
Loans at amortized cost (*2)		90,024,862		78,063,160
Financial investments		4,955,902		4,204,217
Other financial assets		1,660,245		844,941
Acceptances and guarantee contracts		53,589,456		40,446,127
Commitments (*3)		32,211,417		31,767,536
	₩	197,352,621	₩	163,002,739

(\*1) The cash that the Consolidated Entity holds is excluded.

(\*2) Loans at amortized cost exclude loans valuation adjustment related to fair value hedging and allowances for loan losses.

(\*3) Commitments exclude commitments on purchase of beneficiary certificates which are included in other commitments in Note 36.

### (4) Credit Risk of Loans

The Consolidated Entity maintains allowances for loan losses associated with credit risk on loans to manage its credit risk. Impairment losses on loans can be deducted directly from the carrying amount of the asset or deducted using an allowance account. The Consolidated Entity measures the credit risk inherent in financial assets classified as loans and presents it in financial statements as Allowance for loan losses in the form of deduction from the carrying amount of the assets.

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

Loans categorized as of December 31, 2022 and 2021 are as follows (Korean won in millions):

(December 31, 2022)

	12 months expected credit losses		Lifetime expected credit losses		Credit-impaired financial assets		Total	
<b>Collective assessment:</b>								
Best	₩	29,768,697	₩	5,468	₩	1,905	₩	29,776,070
Outstanding		33,311,057		1,521		11,150		33,323,728
Good		24,018,129		2,027,066		50,334		26,095,529
Below normal		1,153,938		194,819		318,710		1,667,467
<b>Subtotal</b>		88,251,821		2,228,874		382,099		90,862,794
<b>Individual assessment:</b>								
Best		-		-		4,266		4,266
Outstanding		-		-		-		-
Good		-		-		-		-
Below normal		-		928,236		666,689		1,594,925
<b>Subtotal</b>		-		928,236		670,955		1,599,191
<b>Total</b>	₩	88,251,821	₩	3,157,110	₩	1,053,054	₩	92,461,985
<b>Net deferred loan origination fees and costs</b>								(403,770)
Allowances								(2,033,353)
<b>Total</b>							₩	<b>90,024,862</b>

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(December 31, 2021)

	12 months expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets	Total
<b>Collective assessment:</b>				
Best	₩ 25,493,321	₩ 1,846	₩ 10,011	₩ 25,505,178
Outstanding	27,824,411	-	5,000	27,829,411
Good	21,365,167	1,590,455	63,234	23,018,856
Below normal	1,006,279	385,669	91,071	1,483,019
<b>Subtotal</b>	<b>75,689,178</b>	<b>1,977,970</b>	<b>169,316</b>	<b>77,836,464</b>
<b>Individual assessment:</b>				
Best	-	-	3,991	3,991
Outstanding	-	-	-	-
Good	-	709,590	7,406	716,996
Below normal	-	757,796	1,300,691	2,058,487
<b>Subtotal</b>	<b>-</b>	<b>1,467,386</b>	<b>1,312,088</b>	<b>2,779,474</b>
<b>Total</b>	<b>₩ 75,689,178</b>	<b>₩ 3,445,356</b>	<b>₩ 1,481,404</b>	<b>₩ 80,615,938</b>
<b>Net deferred loan origination fees and costs</b>				(368,591)
Allowances				(2,184,187)
<b>Total</b>				<b>₩ 73,883,907</b>

The above carrying amount exclude loan valuation adjustment related to fair value hedging amounting to ₩(8,082) million and ₩(2,723) million as of December 31, 2022 and 2021, respectively.

## (5) Credit Quality of Securities

Securities (debt securities) exposed to credit risk as of December 31, 2022 and 2021 are as follows (Korean won in millions):

(December 31, 2022)

	12 months expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets	Total
Grade 1	₩ 4,955,902	₩ -	₩ -	₩ 4,955,902
Grade 2	-	-	-	-
Grade 3	-	-	-	-
Grade 4	-	-	-	-
Grade 5	-	-	-	-
<b>Total</b>	<b>₩ 4,955,902</b>	<b>₩ -</b>	<b>₩ -</b>	<b>₩ 4,955,902</b>

(December 31, 2021)

	12 months expected credit losses	Lifetime expected credit losses	Creditimpaired financial assets	Total
Grade 1	₩ 4,200,657	₩ -	₩ -	₩ 4,200,657
Grade 2	3,560	-	-	3,560
Grade 3	-	-	-	-
Grade 4	-	-	-	-
Grade 5	-	-	-	-
<b>Total</b>	<b>₩ 4,204,217</b>	<b>₩ -</b>	<b>₩ -</b>	<b>₩ 4,204,217</b>

## (6) Concentration of Credit Risk

The amounts disclosed below exclude loan valuation adjustment related to fair value hedging amounting to ₩(8,082) million and ₩(2,723) million as of December 31, 2022 and 2021, respectively.

1) Loans by country where the credit risk belongs to as of December 31, 2022 and 2021 are as follows (Korean won in millions):

(December 31, 2022)

	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)	Deferred loan origination fees	Allowances
<b>Asia:</b>							
Korea	₩ 28,665,695	₩ 10,659,637	₩ 2,414,298	₩ 41,739,630	45.14	₩ (14,857)	₩ (683,496)
China	-	1,759,750	256,613	2,016,363	2.18	(1,024)	(24,616)
Saudi Arabia	-	2,123,068	7,429	2,130,497	2.30	(17,335)	(13,542)
India	-	2,737,735	38,294	2,776,029	3.00	(14,540)	(3,116)
Indonesia	15,000	2,863,916	56,695	2,935,611	3.17	(34,695)	(23,675)
Vietnam	-	4,238,276	234,175	4,472,451	4.84	(25,780)	(108,935)
Australia	-	469,042	-	469,042	0.51	(16,022)	(3,419)
Philippines	-	6,677	697	7,374	0.01	-	(420)
Qatar	-	486,648	-	486,648	0.53	(1,450)	(2,733)
Singapore	-	800,470	253,460	1,053,930	1.14	(3,506)	(3,050)
Oman	-	1,216,937	-	1,216,937	1.32	(13,066)	(16,918)
Hong Kong	-	147,640	707,142	854,782	0.92	-	(1,711)
The United Arab Emirates	-	6,356,459	3,014	6,359,473	6.88	(44,810)	(3,381)
Uzbekistan	-	1,108,308	-	1,108,308	1.20	(8,047)	(82,355)
Others	9,800	3,273,540	2,267,024	5,550,364	6.00	(79,288)	(110,834)
Subtotal	28,690,495	38,248,103	6,238,841	73,177,439	79.14	(274,420)	(1,082,201)
<b>Europe:</b>							
Russia	-	365,005	-	365,005	0.39	(269)	(209,032)
United Kingdom	-	1,168,165	16,586	1,184,751	1.28	(6,866)	(19,663)
France	-	218,679	1,655	220,334	0.24	(1,704)	(158)
Netherlands	-	-	23,560	23,560	0.03	-	(137)
Greece	-	1,848,177	-	1,848,177	2.00	(8,671)	(1,851)
Ireland	-	28,734	-	28,734	0.03	(224)	(65)
Türkiye	-	1,383,606	22,723	1,406,329	1.52	(11,270)	(178,380)
Germany	-	281,912	21,192	303,104	0.33	(184)	(1,178)
Ukraine	-	63,188	-	63,188	0.07	(45)	(128)
Hungary	-	1,893,201	-	1,893,201	2.05	(2,975)	(2,875)
Others	-	2,705,637	80,931	2,786,568	3.01	(13,350)	(9,243)
Subtotal	-	9,956,304	166,647	10,122,951	10.95	(45,558)	(422,710)
<b>America:</b>							
Panama	-	1,158,905	171,126	1,330,031	1.44	(4,137)	(1,351)
United States	-	2,545,513	8,123	2,553,636	2.76	(2,867)	(12,878)
The British Virgin Islands	-	7,501	-	7,501	0.01	-	(21)
Mexico	-	319,444	-	319,444	0.34	(2,807)	(3,741)
Bermuda	-	8,871	-	8,871	0.01	-	(22)
Brazil	-	2,017,019	-	2,017,019	2.18	(3,326)	(5,288)
Others	-	1,283,521	-	1,283,521	1.39	(5,959)	(9,903)
Subtotal	-	7,340,774	179,249	7,520,023	8.13	(19,096)	(33,204)
<b>Africa:</b>							
Marshall Islands	-	507,862	-	507,862	0.55	(2,125)	(532)
Liberia	-	125,670	-	125,670	0.14	(9,202)	(259)
Nigeria	-	284,645	-	284,645	0.31	(4,648)	(5,802)
Morocco	-	80,731	-	80,731	0.09	(796)	(112)
Others	-	636,905	5,759	642,664	0.69	(47,925)	(488,533)
Subtotal	-	1,635,813	5,759	1,641,572	1.78	(64,696)	(495,238)
<b>Total</b>	<b>₩ 28,690,495</b>	<b>₩ 57,180,994</b>	<b>₩ 6,590,496</b>	<b>₩ 92,461,985</b>	<b>100.00</b>	<b>₩ (403,770)</b>	<b>₩ (2,033,353)</b>

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(December 31, 2021)

	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)	Deferred loan origination fees	Allowances
<b>Asia:</b>							
Korea	₩ 24,210,954	₩ 8,034,080	₩ 2,113,361	₩ 34,358,395	42.61	₩ (22,202)	₩ (713,950)
China	-	2,363,109	411,263	2,774,372	3.44	(1,531)	(35,979)
Saudi Arabia	-	2,190,841	7,930	2,198,771	2.73	(24,914)	(13,240)
India	-	2,322,922	20,219	2,343,141	2.91	(16,348)	(3,099)
Indonesia	15,000	2,986,455	56,805	3,058,260	3.79	(42,548)	(20,747)
Vietnam	-	4,007,134	320,681	4,327,815	5.37	(26,412)	(48,210)
Australia	-	281,279	481	281,760	0.35	(16,307)	(2,744)
Philippines	-	21,372	-	21,372	0.03	(1)	(804)
Qatar	-	531,709	-	531,709	0.66	(1,727)	(2,914)
Singapore	-	579,042	23,013	602,055	0.75	(3,845)	(520)
Oman	-	1,170,554	-	1,170,554	1.45	(13,101)	(14,849)
Hong Kong	-	132,183	245,927	378,110	0.47	-	(978)
The United Arab Emirates	-	4,597,422	17,919	4,615,341	5.73	(19,130)	(2,340)
Uzbekistan	-	1,134,276	-	1,134,276	1.41	(8,870)	(30,918)
Others	11,400	3,272,090	808,949	4,092,439	5.08	(83,450)	(88,155)
Subtotal	24,237,354	33,624,468	4,026,548	61,888,370	76.78	(280,386)	(979,447)
<b>Europe:</b>							
Russia	-	354,690	-	354,690	0.44	(324)	(1,156)
United Kingdom	-	1,621,605	172,345	1,793,950	2.23	(10,402)	(427,641)
France	-	84,899	6,597	91,496	0.11	(630)	(78)
Netherlands	-	-	15,396	15,396	0.02	-	(88)
Greece	-	1,937,778	-	1,937,778	2.40	(9,648)	(2,844)
Ireland	-	53,802	-	53,802	0.07	(254)	(117)
Turkiye	-	1,353,978	16,570	1,370,548	1.70	(12,448)	(118,639)
Germany	-	317,064	16,769	333,833	0.41	(343)	(1,065)
Ukraine	-	60,128	-	60,128	0.07	(79)	(116)
Hungary	-	1,358,421	-	1,358,421	1.69	(1,746)	(2,017)
Others	-	2,077,027	139,083	2,216,110	2.75	(6,634)	(19,352)
Subtotal	-	9,219,392	366,760	9,586,152	11.89	(42,508)	(573,113)
<b>America:</b>							
Panama	-	1,054,208	27,034	1,081,242	1.34	(5,834)	(1,740)
United States	-	2,788,832	21,142	2,809,974	3.49	(3,521)	(15,105)
The British Virgin Islands	-	31,836	-	31,836	0.04	-	(12)
Mexico	-	341,274	-	341,274	0.42	(3,194)	(1,920)
Brazil	-	1,734,669	-	1,734,669	2.15	(3,683)	(5,803)
Others	-	1,389,383	-	1,389,383	1.72	(7,076)	(14,133)
Subtotal	-	7,340,202	48,176	7,388,378	9.16	(23,308)	(38,713)
<b>Africa:</b>							
Marshall Islands	-	557,921	-	557,921	0.69	(2,577)	(1,381)
Liberia	-	21,740	-	21,740	0.03	(324)	(81)
Nigeria	-	348,377	-	348,377	0.43	(6,017)	(6,443)
Morocco	-	96,955	-	96,955	0.12	(943)	(127)
Others	-	722,122	5,923	728,045	0.90	(12,528)	(584,882)
Subtotal	-	1,747,115	5,923	1,753,038	2.17	(22,389)	(592,914)
<b>Total</b>	<b>₩ 24,237,354</b>	<b>₩ 51,931,177</b>	<b>₩ 4,447,407</b>	<b>₩ 80,615,938</b>	<b>100.00</b>	<b>₩ (368,591)</b>	<b>₩ (2,184,187)</b>

2) Loans by industry as of December 31, 2022 and 2021 are as follows (Korean won in millions):

(December 31, 2022)

	Loans				Ratio (%)	Deferred loan origination fees	Allowances
	Loans in local currency	Loans in foreign currencies	Others	Total			
Manufacturing	₩ 15,239,184	₩ 27,786,093	₩ 774,213	₩ 43,799,490	47.37	₩ (167,731)	₩ (1,459,045)
Transportation	1,713,800	6,713,688	347,762	8,775,250	9.49	(44,042)	(97,206)
Financial institutions	9,298,997	6,023,340	5,413,537	20,735,874	22.43	(3,704)	(218,755)
Wholesale and retail	932,415	1,284,203	25,243	2,241,861	2.42	(1,946)	(13,545)
Real estate	-	504,272	1	504,273	0.55	(2,239)	(80,623)
Construction	404,960	2,155,996	2,371	2,563,327	2.77	(28,140)	(21,231)
Public sector and others	1,101,139	12,713,402	27,369	13,841,910	14.97	(155,968)	(142,948)
<b>Total</b>	<b>₩ 28,690,495</b>	<b>₩ 57,180,994</b>	<b>₩ 6,590,496</b>	<b>₩ 92,461,985</b>	<b>100.00</b>	<b>₩ (403,770)</b>	<b>₩ (2,033,353)</b>

(December 31, 2021)

	Loans				Ratio (%)	Deferred loan origination fees	Allowances
	Loans in local currency	Loans in foreign currencies	Others	Total			
Manufacturing	₩ 12,800,359	₩ 25,151,003	₩ 1,067,274	₩ 39,018,636	48.40	₩ (176,484)	₩ (1,419,650)
Transportation	1,295,966	7,003,177	245,434	8,544,577	10.60	(37,475)	(137,381)
Financial institutions	8,289,003	5,133,947	2,866,729	16,289,679	20.21	(8,169)	(23,615)
Wholesale and retail	887,494	859,906	66,748	1,814,148	2.25	(2,303)	(14,258)
Real estate	-	339,502	527	340,029	0.42	(1,927)	(44,189)
Construction	365,842	1,598,297	2,402	1,966,541	2.44	(26,512)	(15,757)
Public sector and others	598,690	11,845,345	198,293	12,642,328	15.68	(115,721)	(529,337)
<b>Total</b>	<b>₩ 24,237,354</b>	<b>₩ 51,931,177</b>	<b>₩ 4,447,407</b>	<b>₩ 80,615,938</b>	<b>100.00</b>	<b>₩ (368,591)</b>	<b>₩ (2,184,187)</b>

3) Concentration of credit risk of financial assets at FVTPL and financial investments (debt securities) by industry as of December 31, 2022 and 2021 are as follows (Korean won in millions):

	Dec. 31, 2022		Dec. 31, 2021	
	Amount	Ratio (%)	Amount	Ratio (%)
<b>Financial Assets at FVTPL</b>				
Government and government sponsored institutions	₩ 135,804	3.26	₩ 36,186	1.48
Banking and insurance	3,759,214	90.19	2,104,501	85.87
Others	273,045	6.55	310,130	12.65
Subtotal	4,168,063	100.00	2,450,817	100.00
<b>Financial Assets at FVOCI</b>				
Government and government sponsored institutions	1,522,187	48.15	1,807,306	56.13
Banking and insurance	1,182,570	37.41	968,791	30.09
Others	456,633	14.44	443,875	13.78
Subtotal	3,161,390	100.00	3,219,972	100.00
<b>Securities at amortized cost</b>				
Government and government sponsored institutions	1,370,285	76.36	591,545	60.10
Banking and insurance	284,415	15.85	180,662	18.36
Others	139,812	7.79	212,038	21.54
Subtotal	1,794,512	100.00	984,245	100.00
<b>Hedging derivative assets</b>				
Banking and insurance	329,216	100.00	561,911	100.00
<b>Total</b>	<b>₩ 9,453,181</b>		<b>₩ 7,216,945</b>	

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

4) Concentration of credit risk of financial assets at FVTPL and financial investments (debt securities) by country as of December 31, 2022 and 2021 are as follows (Korean won in millions):

	Dec. 31, 2022		Dec. 31, 2021	
	Amount	Ratio (%)	Amount	Ratio (%)
<b>Financial Assets at FVTPL</b>				
Korea	₩ 3,966,136	95.16	₩ 1,927,706	78.66
Others	201,927	4.84	523,111	21.34
Subtotal	4,168,063	100.00	2,450,817	100.00
<b>Financial Assets at FVOCI</b>				
Korea	1,376,797	43.55	1,457,518	45.26
Others	1,784,593	56.45	1,762,454	54.74
Subtotal	3,161,390	100.00	3,219,972	100.00
<b>Securities at amortized cost</b>				
Korea	915,557	51.02	301,434	30.63
Others	878,955	48.98	682,811	69.37
Subtotal	1,794,512	100.00	984,245	100.00
<b>Hedging derivative assets</b>				
Korea	231,022	70.17	180,630	32.15
Others	98,194	29.83	381,281	67.85
Subtotal	329,216	100.00	561,911	100.00
<b>Total</b>	<b>₩ 9,453,181</b>		<b>₩ 7,216,945</b>	

5) Credit enhancement and its financial effect as of December 31, 2022 and 2021 are as follows (Korean won in millions):

(December 31, 2022)

	Loans (*1)	Acceptances and guarantees	Unused loan commitments	Total	Ratio (%)
<b>Maximum exposure to credit risk</b>	₩ 90,024,862	₩ 53,589,456	₩ 32,211,417	₩ 175,825,735	100.00
Credit enhancement:					
Deposits and savings	195,478	53,983	6,005	255,466	0.14
Export guarantee insurance	339,601	584,313	2,136	926,050	0.53
Guarantee	1,823,385	1,723,608	178,560	3,725,553	2.12
Securities	22,211	42,449	-	64,660	0.03
Real estate	2,483,356	331,485	187,357	3,002,198	1.71
Ships	1,218,222	237,108	-	1,455,330	0.83
Others	245,861	-	84,189	330,050	0.19
Subtotal	6,328,114	2,972,946	458,247	9,759,307	5.55
<b>Exposure to credit risk after deducting credit enhancement</b>	<b>₩ 83,696,748</b>	<b>₩ 50,616,510</b>	<b>₩ 31,753,170</b>	<b>₩ 166,066,428</b>	<b>94.45</b>

(\*1) Loans exclude loan valuation adjusted related to fair value hedging.

(December 31, 2021)

	Loans (*1)		Acceptances and guarantees		Unused loan commitments		Total	Ratio (%)	
<b>Maximum exposure to credit risk</b>	₩	78,063,160	₩	40,446,127	₩	31,767,536	₩	150,276,823	100.00
Credit enhancement:									
Deposits and savings		432,085		92,230		20,650		544,965	0.36
Export guarantee insurance		377,225		-		2,270		379,495	0.25
Guarantee		1,893,036		2,438,289		79,876		4,411,201	2.94
Securities		116,172		54,379		3,000		173,551	0.12
Real estate		2,400,490		520,125		458,279		3,378,894	2.25
Ships		761,363		137,849		-		899,212	0.60
Others		296,582		-		-		296,582	0.19
Subtotal		6,276,953		3,242,872		564,075		10,083,900	6.71
<b>Exposure to credit risk after deducting credit enhancement</b>	₩	71,786,207	₩	37,203,255	₩	31,203,461	₩	140,192,923	93.29

(\*1) Loans exclude loan valuation adjusted related to fair value hedging.

### 4-3. Liquidity Risk

#### **(1) Overview of Liquidity Risk**

Liquidity risk is the risk that the Consolidated Entity is unable to meet its payment obligations arising from financial liabilities as they become due. The Consolidated Entity discloses all financial asset, financial liabilities, off-balance-sheet items, such as loan commitments, and analysis of the contractual maturity, which are related to liquidity risk, into seven categories. The cash flows disclosed in the maturity analysis are undiscounted contractual amounts, including principal and future interest, which resulted in disagreement with the discounted cash flows included 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.

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

## (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 Liabilities and Off-balance-sheet Items

Remaining contractual maturity and amount of financial liabilities and off-balance-sheet items as of December 31, 2022 and 2021 are as follows (Korean won in millions):

(December 31, 2022)

	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
<b>Financial liabilities:</b>								
Financial liabilities at FVTPL	₩ 2,513,487	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 2,513,487
Hedging derivative liabilities	-	4,086	125,547	19,748	392,886	876,212	938,442	2,356,921
Borrowings	-	1,082,601	2,132,301	2,415,968	3,135,320	2,420,724	-	11,186,914
Debentures	-	1,163,134	7,694,833	9,377,102	19,730,207	47,780,202	13,041,873	98,787,351
Other financial liabilities	923	1,368,635	163	2,133	3,141	320,354	837,537	2,532,886
<b>Total</b>	<b>₩ 2,514,410</b>	<b>₩ 3,618,456</b>	<b>₩ 9,952,844</b>	<b>₩ 11,814,951</b>	<b>₩ 23,261,554</b>	<b>₩ 51,397,492</b>	<b>₩ 14,817,852</b>	<b>₩ 117,377,559</b>
<b>Off-balance sheet items (*1):</b>								
Commitments	₩ 32,211,417	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 32,211,417
Financial guarantee contracts	13,496,820	-	-	-	-	-	-	13,496,820
<b>Total</b>	<b>₩ 45,708,237</b>	<b>₩ -</b>	<b>₩ -</b>	<b>₩ -</b>	<b>₩ -</b>	<b>₩ -</b>	<b>₩ -</b>	<b>₩ 45,708,237</b>

(\*1) Although financial guarantees and loan commitments provided by the Consolidated Entity have maturities, the Consolidated Entity should fulfill the obligation immediately when the counter party requests payments.

(December 31, 2021)

	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
<b>Financial liabilities:</b>								
Financial liabilities at FVTPL	₩ 768,115	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 768,115
Hedging derivative liabilities	-	-	23,753	8,085	85,607	369,482	174,130	661,057
Borrowings	-	1,311,894	1,948,141	1,344,908	952,967	858,170	26,839	6,442,919
Debentures	-	2,726,529	4,083,166	6,716,159	14,114,830	43,283,095	11,094,508	82,018,287
Other financial liabilities	-	690,413	1,934	161	8,305	94,195	1,036,295	1,831,303
<b>Total</b>	<b>₩ 768,115</b>	<b>₩ 4,728,836</b>	<b>₩ 6,056,994</b>	<b>₩ 8,069,313</b>	<b>₩ 15,161,709</b>	<b>₩ 44,604,942</b>	<b>₩ 12,331,772</b>	<b>₩ 91,721,681</b>
<b>Off-balance sheet items (*1):</b>								
Commitments	₩ 31,767,536	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 31,767,536
Financial guarantee contracts	12,126,814	-	-	-	-	-	-	12,126,814
<b>Total</b>	<b>₩ 43,894,350</b>	<b>₩ -</b>	<b>₩ -</b>	<b>₩ -</b>	<b>₩ -</b>	<b>₩ -</b>	<b>₩ -</b>	<b>₩ 43,894,350</b>

(\*1) Although financial guarantees and loan commitments provided by the Consolidated Entity have maturities, the Consolidated Entity should fulfill the obligation immediately when the counter party requests payments.



## 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. The Consolidated Entity classifies exposures to market risk into either foreign exchange rate risk or interest rate risk. Foreign exchange risk is the possible losses on assets and liabilities denominated in foreign currencies due to changes of foreign exchange rate. Interest rate risk is the 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 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. Interest rate risk is measured by IRRBB 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 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 currencies exceeding 5% of total assets and liabilities denominated in foreign currencies.

#### 3) Measurement method

##### ① Value at Risk (VaR)

The Consolidated Entity uses a yearly VaR to measure market risk. 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. 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 10 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 foreign exchange that has significant influent on the value of portfolio.

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

### ③ Results of measurement

Results of foreign exchange VaR as of December 31, 2022 and 2021 are as follows (Korean won in millions):

	Dec. 31, 2022				Dec. 31, 2021			
	Average	Minimum	Maximum	Ending	Average	Minimum	Maximum	Ending
Foreign exchange risk	₩ 43,362	₩ 15,318	₩ 78,559	₩ 25,191	₩ 30,800	₩ 11,568	₩ 56,546	₩ 11,568

Results of foreign exchange VaR as of December 31, 2022 are ₩125 million, ₩177 million, ₩520 million and ₩76 million for KEXIM Bank UK Limited, KEXIM Asia Limited, PT, KEXIM Mandiri Finance and KEXIM Vietnam Leasing Co., respectively.

### (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 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  $\Delta$ NII (Change in Net Interest Income) and  $\Delta$ EVE (Change in Economic Value of Equity) and uses interest rate sensitivity gap and duration gap as supplementary index.  $\Delta$ NII and  $\Delta$ EVE 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 Change in Economic Value of Equity ( $\Delta$ EVE)

The Consolidated Entity uses a yearly  $\Delta$ EVE to measure interest rate risk. The yearly  $\Delta$ EVE is the maximum amount of loss that could occur in one year under normal distribution of financial variables. The Consolidated Entity calculates the yearly  $\Delta$ EVE by using variance-covariance method at a 99% single tail confidence level based on the previous five years data using equal weighted-average method.

$\Delta$ EVE 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.

##### 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, and is performed at least once in every quarter.

##### ③ Results of measurement

Results of interest rate VaR as of December 31, 2022 and 2021 are as follows (Korean won in millions):

	Dec. 31, 2022				Dec. 31, 2021			
	Average	Minimum	Maximum	Ending	Average	Minimum	Maximum	Ending
Interest rate risk	₩ 227,335	₩ 117,244	₩ 422,964	₩ 373,195	₩ 29,584	₩ 9,393	₩ 75,882	₩ 36,540

Results of interest rate VaR as of December 31, 2022 are ₩6,298 million, ₩8,732 million, ₩418 million and ₩1,166 million for KEXIM Bank UK Limited, KEXIM Asia Limited, PT, KEXIM Mandiri Finance and KEXIM Vietnam Leasing Co., respectively.

#### **(4) Interest Rate Risk Management**

The Bank is closely monitoring the outputs of various industry groups and markets that manage the transition to the new interest rate benchmark, including announcements by IBOR regulation authority and various consultative bodies related to the transition to alternative interest rate. In response to these announcements, The Bank has completed most of the transition and replacement according to IBOR transition programs and plans consisting of major business areas such as finance, accounting, tax, legal, IT, and risk. The program is under the control of the CFO and related matters are reported to the board of directors. The Bank continues its efforts as a market participant to actively express opinions so that the index interest rate benchmark reform can be carried out in the direction of minimizing the financial and non-financial impacts and operational risks and minimizing confusion among stakeholders.

The carrying amount of financial instruments that have not been converted to alternative indicator interest rate as of December 31, 2022 is as follows (Korean won in millions):

Detail	Exposure Amount(*1)			
	USD	EUR	GBP	Others
<b>Non-derivative financial assets</b>				
Securities at FVTPL	₩ 45,433	₩ -	₩ -	₩ -
Securities at FVOCI	3,796	-	-	-
Loans at amortized cost	24,356,938	-	-	-
Acceptances and guarantee contracts(*2)	10,189,871	-	-	-
Derivative(*2)	15,278,075	-	-	-
<b>Non-derivative financial liabilities</b>				
Borrowings	253,460	-	-	-

(\*1) Exposure amount exclude financial instruments that will disappear before converting to alternative indicator interest rate.

(\*2) Guarantees and derivatives are based on the nominal amount.

#### **4-5. Capital Risk**

The Consolidated Entity follows the standard of capital adequacy established by the Financial Services Commission. The standard is based on Basel III, which was established by Basel Committee on Banking Supervision in BIS. In Korea, this standard has been followed since December 2013.

According to the standard, the Consolidated Entity should maintain at least 8% or above of BIS capital ratio for risk-weighted asset and quarterly report BIS capital ratio to the FSS.

According to Korean Banking Supervision rules for operations, the Consolidated Entity's capitals are mainly divided into two categories:

- 1) Tier 1 capital (basic capital): Basic capital is composed of capital stock-common and other basic capital. Capital stock-common includes common stock satisfied with qualifications, capital surplus, retained earnings, accumulated other comprehensive income, other reserves and non-controlling interests among the common stock of consolidated subsidiaries. Other basic capital includes securities and capital surplus satisfied with qualifications.
- 2) Tier 2 capital (supplementary capital): Supplementary capital is composed of the securities and capital surplus satisfied with qualifications, non-controlling interests among the securities of consolidated subsidiaries and the amounts of less than below 1.25% of credit risk-weighted asset like allowance for credit losses in respect of credits classified as normal or precautionary.

The risk-weighted asset includes intrinsic risks in total assets, errors of internal operation processes and loss risk from external events. It indicates a size of assets reflecting the level of risks that the Consolidated Entity bears. The Consolidated Entity computes the risk-weighted asset by risks (credit, market and operational risk) and uses it for calculation of BIS capital ratio.

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

BIS capital ratio of the Consolidated Entity as of December 31, 2022 and 2021 are as follows (Korean won in millions):

	Dec. 31, 2022		Dec. 31, 2021	
Core capital	₩	15,456,172	₩	15,185,119
Supplementary capital		2,183,941		1,787,606
<b>Total</b>	<b>₩</b>	<b>17,640,113</b>	<b>₩</b>	<b>16,972,725</b>
Risk-weighted assets	₩	130,561,628	₩	114,400,686
Capital ratio		13.51%		14.84%

## 5. FINANCIAL ASSETS AND FINANCIAL LIABILITIES:

### 5-1. Classification and Fair Value

(1) Carrying Amount and Fair Values of Financial Instruments as of December 31, 2022 and 2021 are as Follows (Korean won in millions):

	Dec. 31, 2022		Dec. 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets:</b>				
Cash and due from financial institutions	₩ 10,413,461	₩ 10,413,461	₩ 4,524,601	₩ 4,524,601
Financial assets at FVTPL	4,172,754	4,172,754	2,598,204	2,598,204
Hedging derivative assets	329,216	329,216	561,911	561,911
Loans at amortized cost	90,016,780	90,178,037	78,060,437	79,096,622
Financial assets at FVOCI	12,162,553	12,162,553	12,257,809	12,257,809
Securities at amortized cost	1,794,512	1,682,705	984,245	999,456
Other financial assets	1,660,245	1,660,245	844,941	845,231
	<b>₩ 120,549,521</b>	<b>₩ 120,598,971</b>	<b>₩ 99,832,148</b>	<b>₩ 100,883,834</b>
<b>Financial liabilities:</b>				
Financial liabilities at FVTPL	₩ 2,513,487	₩ 2,513,487	₩ 768,115	₩ 768,115
Hedging derivative liabilities	2,356,921	2,356,921	661,057	661,057
Borrowings	11,053,125	10,977,963	6,288,123	6,294,711
Debentures	87,791,623	87,500,087	76,486,053	77,379,590
Other financial liabilities	2,532,887	2,532,887	1,831,303	1,831,303
	<b>₩ 106,248,043</b>	<b>₩ 105,881,345</b>	<b>₩ 86,034,651</b>	<b>₩ 86,934,776</b>

Fair value is the amount at which the assets could be exchanged, or the liabilities could be settled in transaction between knowledgeable and willing independent parties. 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 them to be compared with their carrying amount at the end of each reporting period. The best estimated fair value is the published price quotation 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	As demand deposits and transferable deposits do not have maturity and are readily convertible to cash, the carrying amount of these deposits approximate their fair values. Fair values of the deposits with the maturity of more than one year are determined by discounted cash flow model ("DCF model"). DCF model is also used to determine the fair value of loans. Fair value is determined by discounting the cash flows expected from each contractual period by applying the discount rates for each period.
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 with the DCF model.
Derivatives	For exchange traded derivative, quoted price in active market is used to determine fair value and for OTC derivative, fair value is determined primarily using the DCF model. 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 amount of other financial assets and financial liabilities are regarded as an approximation of fair values.

## (2) Fair Value Hierarchy

1) The Consolidated Entity classifies financial instruments as three levels of fair value hierarchy as below.

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 OTC 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, structured bonds and over-the-counter derivatives.

2) Fair value hierarchy of financial assets and financial liabilities, which are not measured at fair value as of December 31, 2022, and 2021, are as follows (Korean won in millions):

(December 31, 2022)

	Level 1		Level 2		Level 3		Total
<b>Financial assets:</b>							
Cash and due from financial institutions	W	4,862,265	W	-	W	5,551,196	W 10,413,461
Loans at amortized cost		-		-		90,178,037	90,178,037
Securities at amortized cost		-		1,682,705		-	1,682,705
Other financial assets		-		-		1,660,245	1,660,245
<b>Total</b>	<b>W</b>	<b>4,862,265</b>	<b>W</b>	<b>1,682,705</b>	<b>W</b>	<b>97,389,478</b>	<b>W 103,934,448</b>
<b>Financial liabilities:</b>							
Borrowings	W	-	W	10,977,963	W	-	W 10,977,963
Debentures		-		87,500,087		-	87,500,087
Other financial liabilities		-		-		2,532,887	2,532,887
<b>Total</b>	<b>W</b>	<b>-</b>	<b>W</b>	<b>98,478,050</b>	<b>W</b>	<b>2,532,887</b>	<b>W 101,010,937</b>

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(December 31, 2021)

	Level 1		Level 2		Level 3		Total
<b>Financial assets:</b>							
Cash and due from financial institutions	₩	3,180,289	₩	-	₩	1,344,312	₩ 4,524,601
Loans at amortized cost		-		-		79,096,622	79,096,622
Securities at amortized cost		-		999,456		-	999,456
Other financial assets		-		-		845,231	845,231
<b>Total</b>	<b>₩</b>	<b>3,180,289</b>	<b>₩</b>	<b>999,456</b>	<b>₩</b>	<b>81,286,165</b>	<b>₩ 85,465,910</b>
<b>Financial liabilities:</b>							
Borrowings	₩	-	₩	6,294,711	₩	-	₩ 6,294,711
Debentures		-		77,379,590		-	77,379,590
Other financial liabilities		-		-		1,831,303	1,831,303
<b>Total</b>	<b>₩</b>	<b>-</b>	<b>₩</b>	<b>83,674,301</b>	<b>₩</b>	<b>1,831,303</b>	<b>₩ 85,505,604</b>

3) Fair value hierarchy of financial assets and liabilities measured at fair value as of December 31, 2022, and 2021 are as follows (Korean won in millions):

(December 31, 2022)

	Level 1		Level 2		Level 3		Total
<b>Financial assets:</b>							
Financial assets at FVTPL	₩	-	₩	2,879,445	₩	1,293,309	₩ 4,172,754
Hedging derivative assets		-		328,694		522	329,216
Financial assets at FVOCI		518,407		3,161,390		8,482,756	12,162,553
	<b>₩</b>	<b>518,407</b>	<b>₩</b>	<b>6,369,529</b>	<b>₩</b>	<b>9,776,587</b>	<b>₩ 16,664,523</b>
<b>Financial liabilities:</b>							
Financial liabilities at FVTPL	₩	-	₩	1,840,344	₩	673,143	₩ 2,513,487
Hedging derivative liabilities		-		1,728,298		628,623	2,356,921
	<b>₩</b>	<b>-</b>	<b>₩</b>	<b>3,568,642</b>	<b>₩</b>	<b>1,301,766</b>	<b>₩ 4,870,408</b>

(December 31, 2021)

	Level 1		Level 2		Level 3		Total
<b>Financial assets:</b>							
Financial assets at FVTPL	₩	-	₩	1,745,970	₩	852,234	₩ 2,598,204
Hedging derivative assets		-		546,296		15,615	561,911
Financial assets at FVOCI		125,624		3,219,972		8,912,213	12,257,809
	<b>₩</b>	<b>125,624</b>	<b>₩</b>	<b>5,512,238</b>	<b>₩</b>	<b>9,780,062</b>	<b>₩ 15,417,924</b>
<b>Financial liabilities:</b>							
Financial liabilities at FVTPL	₩	-	₩	516,985	₩	251,130	₩ 768,115
Hedging derivative liabilities		-		527,610		133,447	661,057
	<b>₩</b>	<b>-</b>	<b>₩</b>	<b>1,044,595</b>	<b>₩</b>	<b>384,577</b>	<b>₩ 1,429,172</b>

4) The valuation techniques and input variables of Level 2 financial instruments subsequently not measured at fair value as of December 31, 2022 and 2021 are as follows (Korean won in millions):

(December 31, 2022)

		Fair value	Valuation techniques	Input variables
<b>Financial assets</b>				
Financial assets at amortized cost				
Debt securities	₩	1,682,705	DCF Model	Discount rate
<b>Financial liabilities</b>				
Borrowings	₩	10,977,963	DCF Model	Discount rate
Debentures		87,500,087	DCF Model	Discount rate

(December 31, 2021)

		Fair value	Valuation techniques	Input variables
<b>Financial assets</b>				
Financial assets at amortized cost				
Debt securities	₩	999,456	DCF Model	Discount rate
<b>Financial liabilities</b>				
Borrowings	₩	6,294,711	DCF Model	Discount rate
Debentures		77,379,590	DCF Model	Discount rate

5) The valuation techniques and input variables of Level 3 financial instruments subsequently not measured at fair value as of December 31, 2022 and 2021 are as follows (Korean won in millions):

(December 31, 2022)

		Fair value	Valuation techniques	Input variables
<b>Financial assets</b>				
Cash and due from financial institutions	₩	5,551,196	DCF Model	Discount rate
Loans at amortized cost		90,178,037	DCF Model	Discount rate
Other financial assets		1,660,245	DCF Model	Discount rate
<b>Financial liabilities</b>				
Other financial liabilities	₩	2,532,887	DCF Model	Discount rate

(December 31, 2021)

		Fair value	Valuation techniques	Input variables
<b>Financial assets</b>				
Cash and due from financial institutions	₩	1,344,312	DCF Model	Discount rate
Loans at amortized cost		79,096,622	DCF Model	Discount rate
Other financial assets		845,231	DCF Model	Discount rate
<b>Financial liabilities</b>				
Other financial liabilities	₩	1,831,303	DCF Model	Discount rate

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

6) The valuation techniques and input variables of Level 2 financial instruments subsequently measured at fair value as of December 31, 2022 and 2021 are as follows (Korean won in millions):

(December 31, 2022)

		Fair value	Valuation techniques	Input variables
<b>Financial assets</b>				
Financial assets at FVTPL:				
Debt securities	₩	1,623,074	DCF Model	Discount rate
Derivative assets for trading		1,256,371	DCF Model	Discount rate
Hedging derivative assets		328,694	DCF Model	Discount rate
Financial assets at FVOCI:				
Debt securities		3,161,390	DCF Model	Discount rate
<b>Financial liabilities</b>				
Financial liabilities at FVTPL:				
Derivative liabilities for trading	₩	1,840,344	DCF Model	Discount rate
Hedging derivative liabilities		1,728,298	DCF Model	Discount rate

(December 31, 2020)

		Fair value	Valuation techniques	Input variables
<b>Financial assets</b>				
Financial assets at FVTPL:				
Debt securities	₩	1,042,384	DCF Model	Discount rate
Derivative assets for trading		703,586	DCF Model	Discount rate
Hedging derivative assets		546,296	DCF Model	Discount rate
Financial assets at FVOCI:				
Debt securities		3,219,972	DCF Model	Discount rate
<b>Financial liabilities</b>				
Financial liabilities at FVTPL:				
Derivative liabilities for trading	₩	516,985	DCF Model	Discount rate
Hedging derivative liabilities		527,610	DCF Model	Discount rate



7) The valuation techniques and significant unobservable input variables of Level 3 financial instruments subsequently measured at fair value as of December 31, 2022 and 2021 are as follows (Korean won in millions):

(December 31, 2022)

	Fair value (Korean won in million)	Valuation techniques	Significant unobservable input factors	Range	Relationship between unobservable input factors and fair value estimates
<b>Financial assets at FVTPL:</b>					
Unlisted stock	₩ 4,691	Cost Methods	-	-	-
Beneficiary certificates	378,116	NAV Methods	-	-	-
Paid-in capital	233,794				
Loans	3,565	T-F Model	Volatility Risk free rate Risk rate	29.15% 3.76% 14.31%	If volatility is increased(decreased)/ if discount rate is decreased (increased), fair value is increased (decreased).
Derivatives	673,143	Binomial Model Hull-White Model	Correlation	-0.8 ~ 1.0	If correlation is increased(decreased), fair value is increased (decreased).
<b>Hedging derivative assets</b>					
Derivatives	₩ 522	Hull-White Model	Correlation	-0.8 ~ 1.0	If correlation is increased(decreased), fair value is increased (decreased).
<b>Financial assets at FVOCI:</b>					
Unlisted stock	₩ 8,455,796	DCF Model Binomial Model CCA Methods NAV Methods	Discount rate	9.19% ~ 16.38%	If discount rate is decreased (increased)/ if growth rate is increased (decreased)/ if volatility is increased(decreased), fair value is increased (decreased).
			Growth rate	0%	
			Volatility	32.87% ~ 34.87%	
Paid-in capital	26,960	NAV Methods	-	-	-
<b>Financial liabilities at FVTPL:</b>					
Derivatives	₩ 673,143	Hull-White Model	Correlation	-0.8 ~ 1.0	If correlation is increased(decreased), fair value is increased (decreased).
<b>Hedging derivative liabilities</b>					
Derivatives	₩ 628,623	Hull-White Model	Correlation	-0.8 ~ 1.0	If correlation is increased(decreased), fair value is increased (decreased).

(December 31, 2021)

	Fair value (Korean won in million)	Valuation techniques	Significant unobservable input factors	Range	Relationship between unobservable input factors and fair value estimates
<b>Financial assets at FVTPL:</b>					
Unlisted stock	₩ 7,957	Cost Methods	-	-	-
Beneficiary certificates	448,477	NAV Methods	-	-	-
Paid-in capital	139,430				
Loans	5,505	LSMC Simulation	Volatility	17.54%	If volatility is increased(decreased), fair value is increased (decreased).
Derivatives	250,865	Binomial Model Hull-White Model	Volatility Correlation	22.62% -0.8 ~ 1.0	If volatility is increased(decreased)/ if correlation is increased(decreased), fair value is increased (decreased).
<b>Hedging derivative assets</b>					
Derivatives	₩ 15,615	Hull-White Model	Correlation	-0.8 ~ 1.0	If correlation is increased(decreased), fair value is increased (decreased).

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Fair value (Korean won in million)		Valuation techniques	Significant unobservable input factors	Range	Relationship between unobservable input factors and fair value estimates
<b>Financial assets at FVOCI:</b>						
Unlisted stock	₩	8,886,980	DCF Model Binomial Model CCA Methods NAV Methods	Discount rate	7.69% ~ 15.41%	If discount rate is decreased (increased)/ if growth rate is increased (decreased)/ if volatility is increased(decreased), fair value is increased (decreased).
				Growth rate	1%	
				Volatility	22.62% ~ 25.09%	
Paid-in capital	₩	25,233	NAV Methods	-	-	-
<b>Financial liabilities at FVTPL:</b>						
Derivatives	₩	251,130	Binomial Model Hull-White Model	Volatility Correlation	22.62% -0.8 ~ 1.0	If volatility is increased(decreased)/ if correlation is increased(decreased), fair value is increased (decreased).
Hedging derivative liabilities						
Derivatives	₩	133,447	Hull-White Model	Correlation	-0.8 ~ 1.0	If volatility is increased(decreased), fair value is increased (decreased).

8) Changes in Level 3 financial assets measured at fair value for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

(2022)

	Beginning balance		Profit (Loss)		Other comprehensive income (loss)		Purchases/ Issues		Sales/ Settlements		Transfers into Level 3 / Transfers out of Level 3		Ending balance	
<b>Financial assets</b>														
Securities at FVTPL	₩	595,864	₩	57,680	₩	-	₩	216,947	₩	(253,890)	₩	-	₩	616,601
Loans at FVTPL		5,505		(289)		-		-		(1,651)		-		3,565
Derivative assets for trading		250,865		417,696		-		4,982		(400)		-		673,143
Hedging derivative assets		15,615		(14,877)		-		522		(738)		-		522
Financial assets at FVOCI		8,912,213		-		(77,005)		-		(292,712)		(59,740)		8,482,756
<b>Total</b>	₩	<b>9,780,062</b>	₩	<b>460,210</b>	₩	<b>(77,005)</b>	₩	<b>222,451</b>	₩	<b>(549,391)</b>	₩	<b>(59,740)</b>	₩	<b>9,776,587</b>
<b>Financial liabilities</b>														
Derivative liabilities for trading	₩	251,130	₩	417,420	₩	-	₩	4,982	₩	(389)	₩	-	₩	673,143
Hedging derivative liabilities		133,447		462,246		-		32,930		-		-		628,623
<b>Total</b>	₩	<b>384,577</b>	₩	<b>879,666</b>	₩	<b>-</b>	₩	<b>37,912</b>	₩	<b>(389)</b>	₩	<b>-</b>	₩	<b>1,301,766</b>

(2021)

	Beginning balance		Profit (Loss)		Other comprehensive income (loss)		Purchases/ Issues		Sales/ Settlements		Transfers into Level 3 / Transfers out of Level 3		Ending balance	
<b>Financial assets</b>														
Securities at FVTPL	₩	435,683	₩	23,294	₩	-	₩	174,683	₩	(37,796)	₩	-	₩	595,864
Loans at FVTPL		10,423		505		-		5,000		(10,423)		-		5,505
Derivative assets for trading		77,995		84,501		-		89,495		(1,126)		-		250,865
Hedging derivative assets		74,547		(45,424)		-		-		(13,508)		-		15,615
Financial assets at FVOCI		8,433,866		-		170,286		380,521		(72,460)		-		8,912,213
<b>Total</b>	₩	<b>9,032,514</b>	₩	<b>62,876</b>	₩	<b>170,286</b>	₩	<b>649,699</b>	₩	<b>(135,313)</b>	₩	<b>-</b>	₩	<b>9,780,062</b>
<b>Financial liabilities</b>														
Derivative liabilities for trading	₩	66,053	₩	96,708	₩	-	₩	89,495	₩	(1,126)	₩	-	₩	251,130
Hedging derivative liabilities		52,758		58,888		-		21,801		-		-		133,447
<b>Total</b>	₩	<b>118,811</b>	₩	<b>155,596</b>	₩	<b>-</b>	₩	<b>111,296</b>	₩	<b>(1,126)</b>	₩	<b>-</b>	₩	<b>384,577</b>

9) In relation to changes in Level 3 of the fair value hierarchy, total gains or losses recognized in profit or loss for the year, and total gains or losses for financial instruments held at the end of year in the consolidated statements of comprehensive income for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	Net gain (loss) from financial investments			
	2022		2021	
Total gains (losses) on financial assets held at the end of year	₩	460,210	₩	62,876
Total gains (losses) on financial liabilities held at the end of year		879,666		155,596
Total gains (losses) included in profit or loss for the year		(419,456)		(92,720)

10) 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 Consolidated Entity 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 in 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 held and measured at fair value as of December 31, 2022 and 2021 are as follows (Korean won in millions):

(December 31, 2022)

Details(*1)	Profit or loss		Other comprehensive income (loss)	
	Favorable	Unfavorable	Favorable	Unfavorable
<b>Financial assets:</b>				
Loans at FVTPL (*2)	₩	- ₩	- ₩	-
Financial assets at FVOCI (*2,3)		-	88,840	(66,596)
<b>Total</b>	₩	- ₩	<b>88,840 ₩</b>	<b>(66,596)</b>

(December 31, 2021)

Details(*1)	Profit or loss		Other comprehensive income (loss)	
	Favorable	Unfavorable	Favorable	Unfavorable
<b>Financial assets:</b>				
Loans at FVTPL (*2)	₩	- ₩	- ₩	-
Derivative assets for trading (*2)		53	(57)	-
Financial assets at FVOCI (*2,3)		-	24,258	(21,722)
<b>Total</b>	₩	<b>53 ₩</b>	<b>(57) ₩</b>	<b>(21,722)</b>
<b>Financial liabilities:</b>				
Derivative liabilities for trading (*2)	₩	15 ₩	(14) ₩	-

(\*1) The above level 3 financial instruments exclude which are practically impossible to perform sensitivity analysis effected by input variables amounting to ₩1,975,431 million and ₩649,942 million as of December 31, 2022 and 2021, respectively.

(\*2) Changes in fair value are computed by increasing or decreasing the volatility of the underlying asset by 10%, which are unobservable inputs.

(\*3) Changes in fair value of stocks are computed by increasing or decreasing growth rate by 0.5% and discount rate by 1%, which are unobservable inputs.

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

## 5-2. Classification by Category of Financial Instruments

Carrying amount of each category of financial assets and financial liabilities as of December 31, 2022 and December 31, 2021 are as follows (Korean won in millions):

(December 31, 2022)

	Financial assets at FVTPL		Financial assets at amortized cost		Financial assets at FVOCI		Hedging derivative assets		Total	
<b>Financial assets:</b>										
Cash and due from financial institutions	₩	-	₩	10,413,461	₩	-	₩	-	₩	10,413,461
Financial assets at FVTPL		4,172,754		-		-		-		4,172,754
Hedging derivative assets		-		-		-		329,216		329,216
Loans at amortized cost		-		90,016,780		-		-		90,016,780
Financial investments		-		1,794,512		12,162,553		-		13,957,065
Other financial assets		-		1,660,245		-		-		1,660,245
<b>Total</b>	<b>₩</b>	<b>4,172,754</b>	<b>₩</b>	<b>103,884,998</b>	<b>₩</b>	<b>12,162,553</b>	<b>₩</b>	<b>329,216</b>	<b>₩</b>	<b>120,549,521</b>

	Financial liabilities at FVTPL		Financial liabilities at amortized cost		Hedging derivative liabilities		Total	
<b>Financial liabilities:</b>								
Financial liabilities at FVTPL	₩	2,513,487	₩	-	₩	-	₩	2,513,487
Hedging derivative liabilities		-		-		2,356,921		2,356,921
Borrowings		-		11,053,125		-		11,053,125
Debentures		-		87,791,623		-		87,791,623
Other financial liabilities		-		2,532,887		-		2,532,887
<b>Total</b>	<b>₩</b>	<b>2,513,487</b>	<b>₩</b>	<b>101,377,635</b>	<b>₩</b>	<b>2,356,921</b>	<b>₩</b>	<b>106,248,043</b>

(December 31, 2021)

	Financial assets at FVTPL		Financial assets at amortized cost		Financial assets at FVOCI		Hedging derivative assets		Total	
<b>Financial assets:</b>										
Cash and due from financial institutions	₩	-	₩	4,524,601	₩	-	₩	-	₩	4,524,601
Financial assets at FVTPL		2,598,204		-		-		-		2,598,204
Hedging derivative assets		-		-		-		561,911		561,911
Loans at amortized cost		-		78,060,437		-		-		78,060,437
Financial investments		-		984,245		12,257,809		-		13,242,054
Other financial assets		-		844,941		-		-		844,941
<b>Total</b>	<b>₩</b>	<b>2,598,204</b>	<b>₩</b>	<b>84,414,224</b>	<b>₩</b>	<b>12,257,809</b>	<b>₩</b>	<b>561,911</b>	<b>₩</b>	<b>99,832,148</b>

	Financial liabilities at FVTPL		Financial liabilities at amortized cost		Hedging derivative liabilities		Total	
<b>Financial liabilities:</b>								
Financial liabilities at FVTPL	₩	768,115	₩	-	₩	-	₩	768,115
Hedging derivative liabilities		-		-		661,057		661,057
Borrowings		-		6,288,123		-		6,288,123
Debentures		-		76,486,053		-		76,486,053
Other financial liabilities		-		1,831,303		-		1,831,303
<b>Total</b>	<b>₩</b>	<b>768,115</b>	<b>₩</b>	<b>84,605,479</b>	<b>₩</b>	<b>661,057</b>	<b>₩</b>	<b>86,034,651</b>

### 5-3. Offset of Financial Instruments

The Consolidated Entity holds the financial instruments, receivable and payable spot exchange which grant it the rights to offset in case of default, insolvency, or bankruptcy of the counterparties though it does not meet the criteria for offsetting of K-IFRS No. 1032. Cash collaterals do not meet the offsetting criteria in K-IFRS No. 1032, but they can be set off with net amounts of financial instruments, receivable and payable spot exchange.

The effects of netting agreements as of December 31, 2022 and 2021 are as follow (Korean won in millions):

(December 31, 2022)

	Gross amounts of recognized financial assets (liabilities)		Gross amounts of recognized financial liabilities (assets) to be setoff		Net amounts of financial assets (liabilities) presented in the consolidated statement of financial position		Amount that is not offset in the consolidated statement of financial position		Net amount
							Financial instruments	Cash collateral	
<b>Financial assets:</b>									
Derivatives	₩	2,258,729	₩	-	₩	2,258,729	₩ (1,268,098)	₩ (11,538)	₩ 979,093
Financial instruments		550,312		-		550,312	(495,810)	-	54,502
<b>Total</b>	<b>₩</b>	<b>2,809,041</b>	<b>₩</b>	<b>-</b>	<b>₩</b>	<b>2,809,041</b>	<b>₩ (1,763,908)</b>	<b>₩ (11,538)</b>	<b>₩ 1,033,595</b>
<b>Financial liabilities:</b>									
Derivatives	₩	5,039,149	₩	-	₩	5,039,149	₩ (1,268,098)	₩ (1,157,908)	₩ 2,613,143
Securities sold under repurchase agreement		495,810		-		495,810	(495,810)	-	-
<b>Total</b>	<b>₩</b>	<b>5,534,959</b>	<b>₩</b>	<b>-</b>	<b>₩</b>	<b>5,534,959</b>	<b>₩ (1,763,908)</b>	<b>₩ (1,157,908)</b>	<b>₩ 2,613,143</b>

(December 31, 2021)

	Gross amounts of recognized financial assets (liabilities)		Gross amounts of recognized financial liabilities (assets) to be setoff		Net amounts of financial assets (liabilities) presented in the consolidated statement of financial position		Amount that is not offset in the consolidated statement of financial position		Net amount
							Financial instruments	Cash collateral	
<b>Financial assets:</b>									
Derivatives	₩	1,515,937	₩	-	₩	1,515,937	₩ (551,646)	₩ (267,064)	₩ 697,227
Financial instruments		694,561		-		694,561	(655,426)	-	39,135
<b>Total</b>	<b>₩</b>	<b>2,210,498</b>	<b>₩</b>	<b>-</b>	<b>₩</b>	<b>2,210,498</b>	<b>₩ (1,207,072)</b>	<b>₩ (267,064)</b>	<b>₩ 736,362</b>
<b>Financial liabilities:</b>									
Derivatives	₩	1,428,482	₩	-	₩	1,428,482	₩ (551,646)	₩ (261,248)	₩ 615,588
Securities sold under repurchase agreement		655,426		-		655,426	(655,426)	-	-
<b>Total</b>	<b>₩</b>	<b>2,083,908</b>	<b>₩</b>	<b>-</b>	<b>₩</b>	<b>2,083,908</b>	<b>₩ (1,207,072)</b>	<b>₩ (261,248)</b>	<b>₩ 615,588</b>

### 5-4. Transfer of Financial Assets

The Consolidated Entity continues to recognize the financial assets related to repurchase agreements on the statement of financial position since those transactions are not qualified for derecognition even though the Consolidated Entity transfers the financial assets. Financial asset is sold under a repurchase agreements to repurchase some asset at fixed price. Thus, the Consolidated Entity retains substantially all the risks and rewards of ownership of the financial asset.

Details of carrying amount of assets transferred and relevant liabilities as of December 31, 2022 and 2021 are as follows (Korean won in millions):

	Dec. 31, 2022				Dec. 31, 2021			
	Carrying amount of transferred assets		Carrying amount of relevant liabilities		Carrying amount of transferred assets		Carrying amount of relevant liabilities	
Securities sold under repurchase agreement	₩	550,312	₩	495,810	₩	694,561	₩	655,426

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

## 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) Cash and Cash Equivalents as of December 31, 2022 and 2021 are as Follows (Korean won in millions):

Detail	Dec 31, 2022		Dec. 31, 2021	
Foreign currencies	₩	1	₩	1
Due from financial institutions in local currency		2,558,607		552,215
Due from financial institutions in foreign currencies		7,854,853		3,972,385
<b>Subtotal</b>		<b>10,413,461</b>		<b>4,524,601</b>
Restricted due from financial institutions		(2,949,127)		(770,170)
Due from financial institutions with original maturities of more than three months at acquisition date		(2,200,930)		(546,325)
<b>Subtotal</b>		<b>(5,150,057)</b>		<b>(1,316,495)</b>
<b>Total (*1)</b>	<b>₩</b>	<b>5,263,404</b>	<b>₩</b>	<b>3,208,106</b>

(\*1) Equal to the cash and cash equivalents as presented in the consolidated statements of cash flows.

### (2) Details of Due from financial Institutions as of December 31, 2022 and 2021 are as Follows (Korean won in millions):

Detail	Dec 31, 2022		Dec. 31, 2021	
	Amount	Interest (%)	Amount	Interest (%)
<b>Due from financial institutions in local currency:</b>				
Demand deposits	₩ 1,100	0.00~0.10	₩ 1,076	-
Time deposits	2,200,930	3.63~5.71	490,700	0.89~2.08
Certificate of deposits	-	-	55,625	1.10
Others	356,429	0.95~3.95	4,667	0.85
Margin for derivatives	148	-	147	-
<b>Subtotal</b>	<b>2,558,607</b>		<b>552,215</b>	
<b>Due from financial institutions in foreign currencies:</b>				
Demand deposits	84,698	0.00~1.00	487,098	0.10~3.00
Time deposits	401,139	1.25~5.69	27,817	1.00~4.50
On demand	4,220,933	0.00~4.25	2,578,905	-
Offshore demand deposits	199,104	0.00~4.25	108,542	-
Others	2,021,432	4.30~4.33	302,748	-
Margin for derivatives	927,547	-	467,275	-
<b>Subtotal</b>	<b>7,854,853</b>		<b>3,972,385</b>	
<b>Total</b>	<b>₩ 10,413,460</b>		<b>₩ 4,524,600</b>	

### (3) Restricted Due from Financial Institutions as of December 31, 2022 and 2021 are as Follows (Korean won in millions):

Detail	Financial Institution	Dec 31, 2022		Dec. 31, 2021		Reason for restriction
Others	DEUTSCHE BANK TRUST COMPANY AMERICAS and others	₩	2,949,127	₩	770,170	Credit Support Annex (CSA) for derivative transactions

## 8. FINANCIAL ASSETS AT FVTPL:

Details of financial assets at FVTPL as of December 31, 2022 and 2021 are as follows (Korean won in millions):

	Dec. 31, 2022		Dec. 31, 2021	
<b>Debt securities in local currency</b>				
Paid-in capital	₩	222,359	₩	128,230
Beneficiary certificates		1,945,090		1,264,654
<b>Subtotal</b>		<b>2,167,449</b>		<b>1,392,884</b>
<b>Debt securities in foreign currencies</b>				
Paid-in capital		11,435		11,200
Beneficiary certificates		56,100		226,207
<b>Subtotal</b>		<b>67,535</b>		<b>237,407</b>
<b>Equity securities in foreign currencies stocks</b>				
Stocks		4,691		7,957
<b>Loans at FVTPL</b>				
Privately placement corporate bonds		3,565		5,505
<b>Derivative assets for trading</b>				
Equity related		-		425
Interest rates related		903,044		578,475
Foreign currencies related		1,026,470		375,551
Subtotal		1,929,514		954,451
<b>Total</b>	<b>₩</b>	<b>4,172,754</b>	<b>₩</b>	<b>2,598,204</b>

## 9. FINANCIAL INVESTMENTS:

Details of financial investments as of December 31, 2022 and 2021 are as follows (Korean won in millions):

	Dec. 31, 2022		Dec. 31, 2021	
<b>Financial assets at FVOCI</b>				
Debt securities in local currency				
National bond	₩	780,612	₩	1,043,724
Equity securities				
Stocks (*1)		8,816,550		9,012,604
Paid-in capital		26,960		25,233
<b>Subtotal</b>		<b>8,843,510</b>		<b>9,037,837</b>
Debt securities in foreign currencies				
Corporate bonds and etc. (*2)		2,380,778		2,176,248
Equity securities in foreign currencies				
Stocks		157,653		-
<b>Financial assets at amortized cost</b>				
Debt securities in local currency				
National bond		146,401		100,349
Public bond		9,999		-
Debentures		517,491		-
<b>Subtotal</b>		<b>673,891</b>		<b>100,349</b>
Debt securities in foreign currencies				
Corporate bonds and etc. (*2)		1,120,621		883,896
<b>Total</b>	<b>₩</b>	<b>13,957,065</b>	<b>₩</b>	<b>13,242,054</b>

(\*1) The Bank designated the above equity instruments at FVOCI, in accordance with the Bank's policy requirements. Cumulative net gains or losses reclassified in equity arising from disposition of equity securities for the years ended December 31, 2022 and 2021 were ₩6,177 million and ₩(69,940) million, respectively, and there were no cumulated net gains or losses arising from the reclassification of the account for the years ended December 31, 2022 and 2021.

(\*2) It includes debt securities, which are pledged as collateral amounting to ₩771,100 million and ₩861,691 million as of December 31, 2022 and 2021, respectively.

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

## 10. LOANS AT AMORTIZED COST:

Loans as presented below exclude loan valuation adjustment related to fair value hedging amounting to ₩(8,082) million and ₩(2,723) million as of December 31, 2022 and 2021, respectively.

### (1) Details of Loans as of December 31, 2022 and 2021 are as Follows (Korean won in millions):

	Detail	Dec 31, 2022	Dec. 31, 2021
Loans in local currency	Loans for export	₩ 19,323,322	₩ 15,845,234
	Loans for foreign investments	2,989,567	2,684,185
	Loans for import	5,329,803	4,704,973
	Troubled debt Restructuring	827,268	838,370
	Others	220,535	164,592
	<b>Subtotal</b>	<b>28,690,495</b>	<b>24,237,354</b>
Loans in foreign currencies	Loans for export	23,272,064	23,126,917
	Loans for foreign investments	29,701,429	27,131,892
	Loans for rediscounted trading notes	494,247	71,130
	Loans for import	3,023,757	1,074,175
	Loans for foreign economic cooperation	64,016	-
	<b>Subtotal</b>	<b>57,180,994</b>	<b>51,931,177</b>
Others	Domestic usance bills	235,258	342,594
	Foreign-currency bills bought	738,503	974,756
	Advance payments on acceptances and guarantees	54,242	190,325
	Call loans	4,718,976	1,344,481
	Interbank loans in foreign currencies	388,580	1,066,950
	Finance lease	194,082	193,976
	Privately placement corporate bonds in local currency	156,000	240,800
	Privately placement corporate bonds in foreign currencies	104,855	93,525
	<b>Subtotal</b>	<b>6,590,496</b>	<b>4,447,407</b>
<b>Total</b>		<b>92,461,985</b>	<b>80,615,938</b>
Net deferred loan origination fees and costs		(403,770)	(368,591)
Allowance for loan losses		(2,033,353)	(2,184,187)
<b>Total</b>		<b>₩ 90,024,862</b>	<b>₩ 78,063,160</b>



**(2) Loans Classified by Type of Customers as of December 31, 2022 and 2021 are as Follows (Korean won in millions):**

(December 31, 2022)

	Detail	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)
Customer	Large enterprise	₩ 10,374,660	₩ 35,759,328	₩ 498,033	₩ 46,632,021	59.83
	Small and medium sized enterprise	8,928,437	7,420,166	490,985	16,839,588	21.61
	Public sector and others	4,687,376	9,589,263	192,008	14,468,647	18.56
	<b>Subtotal</b>	<b>23,990,473</b>	<b>52,768,757</b>	<b>1,181,026</b>	<b>77,940,256</b>	<b>100.00</b>
	Net deferred loan origination fees and costs	(6,589)	(395,208)	-	(401,797)	
	Allowance for loan losses	(385,304)	(1,383,418)	(48,505)	(1,817,227)	
	<b>Subtotal</b>	<b>23,598,580</b>	<b>50,990,131</b>	<b>1,132,521</b>	<b>75,721,232</b>	
Financial institution	Bank	4,700,022	2,103,161	4,699,932	11,503,115	79.21
	Others	-	2,309,076	709,538	3,018,614	20.79
	<b>Subtotal</b>	<b>4,700,022</b>	<b>4,412,237</b>	<b>5,409,470</b>	<b>14,521,729</b>	<b>100.00</b>
	Net deferred loan origination fees and costs	-	(1,973)	-	(1,973)	
	Allowance for loan losses	(394)	(215,532)	(200)	(216,126)	
	<b>Subtotal</b>	<b>4,699,628</b>	<b>4,194,732</b>	<b>5,409,270</b>	<b>14,303,630</b>	
	<b>Total</b>	<b>₩ 28,298,208</b>	<b>₩ 55,184,863</b>	<b>₩ 6,541,791</b>	<b>₩ 90,024,862</b>	

(December 31, 2021)

	Detail	Loans in local currency	Loans in foreign currencies	Others	Total	Ratio (%)
Customer	Large enterprise	₩ 9,260,632	₩ 32,241,314	₩ 898,326	₩ 42,400,272	60.65
	Small and medium sized enterprise	6,722,318	6,928,811	547,066	14,198,195	20.31
	Public sector and others	4,099,436	9,055,484	156,604	13,311,524	19.04
	<b>Subtotal</b>	<b>20,082,386</b>	<b>48,225,609</b>	<b>1,601,996</b>	<b>69,909,991</b>	<b>100.00</b>
	Net deferred loan origination fees and costs	(7,812)	(358,970)	-	(366,782)	
	Allowance for loan losses	(514,718)	(1,458,241)	(198,973)	(2,171,932)	
	<b>Subtotal</b>	<b>19,559,856</b>	<b>46,408,398</b>	<b>1,403,023</b>	<b>67,371,277</b>	
Financial institution	Bank	4,154,968	1,395,090	1,613,104	7,163,162	66.91
	Others	-	2,310,478	1,232,307	3,542,785	33.09
	<b>Subtotal</b>	<b>4,154,968</b>	<b>3,705,568</b>	<b>2,845,411</b>	<b>10,705,947</b>	<b>100.00</b>
	Net deferred loan origination fees and costs	-	(1,809)	-	(1,809)	
	Allowance for loan losses	(334)	(11,161)	(760)	(12,255)	
	<b>Subtotal</b>	<b>4,154,634</b>	<b>3,692,598</b>	<b>2,844,651</b>	<b>10,691,883</b>	
	<b>Total</b>	<b>₩ 23,714,490</b>	<b>₩ 50,100,996</b>	<b>₩ 4,247,674</b>	<b>₩ 78,063,160</b>	

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

## (3) Changes in Allowance for Loan Losses for the Years Ended December 31, 2022 and 2021 are as Follows (Korean won in millions):

(2022)

	12 months expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets	Total
Beginning balance	₩ 348,702	₩ 597,885	₩ 1,237,600	₩ 2,184,187
- Transfer to 12 months expected credit losses	6,815	(6,815)	-	-
- Transfer to lifetime expected credit losses	(21,612)	27,137	(5,525)	-
- Transfer to credit-impaired financial assets	(1,064)	(891)	1,955	-
Written-off	-	-	(28,405)	(28,405)
Collection	-	-	1,942	1,942
Loan-for-equity swap	-	-	(424,889)	(424,889)
Others	4	-	-	4
Unwinding effect	-	-	(4,467)	(4,467)
Foreign exchange translation	6,593	19,750	29,514	55,857
Additional provisions	53,514	114,665	80,945	249,124
<b>Ending balance</b>	<b>₩ 392,952</b>	<b>₩ 751,731</b>	<b>₩ 888,670</b>	<b>₩ 2,033,353</b>

(2021)

	12 months expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets	Total
Beginning balance	₩ 339,813	₩ 1,116,426	₩ 1,063,671	₩ 2,519,910
- Transfer to 12 months expected credit losses	60,430	(657)	(59,773)	-
- Transfer to lifetime expected credit losses	(9,586)	59,601	(50,015)	-
- Transfer to credit-impaired financial assets	(3,255)	(212,903)	216,158	-
Written-off	-	-	(13,459)	(13,459)
Collection	-	-	13,711	13,711
Loan-for-equity swap	-	-	(463,894)	(463,894)
Others	(28,201)	(398,336)	-	(426,537)
Unwinding effect	-	-	(9,775)	(9,775)
Foreign exchange translation	7,460	40,174	25,167	72,801
Additional (Reversal of) provisions	(17,959)	(6,420)	515,809	491,430
<b>Ending balance</b>	<b>₩ 348,702</b>	<b>₩ 597,885</b>	<b>₩ 1,237,600</b>	<b>₩ 2,184,187</b>

## 11. INVESTMENTS IN ASSOCIATES:

### (1) Details of Investments in Associates as of December 31, 2022 and 2021 are as Follows (Korean won in millions):

(December 31, 2022)

Company	Location	Business	Capital stock	Year-end	Owner ship (%)	Net asset (*1)	Carrying amount	Financial statements as of
Credit Guarantee and Investment Fund (*2)	Philippines	Financial service	USD 1,149mil	December	14.92	₩ 230,216	₩ 229,993	2022.12.31
KTB Newlake Global Healthcare PEF	Korea	Financial service	KRW 21,930mil	December	25.00	4,842	4,982	2022.12.31
Korea Aerospace Industries Ltd.	Korea	Manufacturing	KRW 487,376mil	December	26.41	377,124	1,030,394	2022.12.31
Daewoo Shipbuilding & Marine Engineering Co., Ltd. (*3)	Korea	Shipbuilding	KRW 541,453mil	December	-	-	-	2022.12.31
KB-Badgers Future Mobility ESG Fund I	Korea	Financial service	KRW 5,225mil	December	22.73	821	821	2022.12.31
							₩ 1,266,190	

(December 31, 2021)

Company	Location	Business	Capital stock	Year-end	Owner ship (%)	Net asset (*1)	Carrying amount	Financial statements as of
Credit Guarantee and Investment Fund (*2)	Philippines	Financial service	USD 1,102mil	December	15.07	₩ 230,767	₩ 230,544	2021.12.31
KTB Newlake Global Healthcare PEF	Korea	Financial service	KRW 33,850mil	December	25.00	7,677	7,819	2021.12.31
Korea Aerospace Industries Ltd.	Korea	Manufacturing	KRW 487,376mil	December	26.41	335,227	988,498	2021.12.31
Daewoo Shipbuilding & Marine Engineering Co., Ltd. (*3)	Korea	Shipbuilding	KRW 541,453mil	December	-	-	-	2021.12.31
							₩ 1,226,861	

(\*1) The amounts represent net asset after taking into account percentage of ownership.

(\*2) As of December 31, 2022 and 2021 the entity is classified into an associate because the Consolidated Entity has significant influence in the way of representation on the board of directors or equivalent governing body of the investee.

(\*3) This entity is not an associate with the current ownership; however, considering potential voting rights, the Consolidated Entity has classified the entity as an associate. The Consolidated Entity holds convertible bonds issued by the entity amounting to ₩2,332,832 million.

### (2) Changes in Investments in Associates for the Years Ended December 31, 2022 and 2021 are as Follows (Korean won in millions):

(2022)

Company	Beginning Balance	Acquisition	Gain (loss) on valuation of investments in associates	Impairment loss	Dividend	Equity earnings on investments in associates	Disposal	Others	Ending balance
Credit Guarantee and Investment Fund	₩ 230,544	₩ -	₩ 1,587	₩ -	₩ (2,035)	₩ -	₩ (103)	₩ (104,294)	₩ 229,993
KTB Newlake Global Healthcare PEF	7,819	-	380	(235)	-	(2,982)	-	3,087	4,982
Korea Aerospace Industries Ltd.	988,498	-	31,353	(5,149)	15,692	-	-	-	1,030,394
Daewoo Shipbuilding & Marine Engineering Co., Ltd	-	-	-	-	-	-	-	-	-
KB-Badgers Future Mobility ESG Fund I	-	1,188	(367)	-	-	-	-	-	821
<b>Total</b>	<b>₩ 1,226,861</b>	<b>₩ 1,188</b>	<b>₩ 32,953</b>	<b>₩ -</b>	<b>₩ (5,384)</b>	<b>₩ 13,657</b>	<b>₩ (2,982)</b>	<b>₩ (103)</b>	<b>₩ 1,266,190</b>

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(2021)

Company	Beginning Balance	Acquisition	Gain (loss) on valuation of investments in associates	Impairment loss	Dividend	Equity earnings on investments in associates	Disposal (*1)	Others	Ending balance
Korea Asset Management Corporation	₩ 482,635	₩ -	₩ 4,893	₩ -	₩ (5,471)	₩ -	₩ (377,763)	₩ (104,294)	₩ -
Credit Guarantee and Investment Fund	184,382	26,461	4,626	-	-	11,988	-	3,087	230,544
KTB Newlake Global Healthcare PEF	8,134	-	(315)	-	-	-	-	-	7,819
Korea Aerospace Industries Ltd.	968,743	-	17,089	-	(5,149)	7,815	-	-	988,498
Daewoo Shipbuilding & Marine Engineering Co., Ltd.	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>₩ 1,643,894</b>	<b>₩ 26,461</b>	<b>₩ 26,293</b>	<b>₩ -</b>	<b>₩ (10,620)</b>	<b>₩ 19,803</b>	<b>₩ (377,763)</b>	<b>₩ (101,207)</b>	<b>₩ 1,226,861</b>

(\*1) As the Consolidated Entity did not participate in the Korea Asset Management Corporation's paid-in capital increase and lost its significant influence over the Korea Asset Management Corporation for the year ended December 31, 2021 accordingly, it was reclassified from investments in associates to financial assets at FVOCI.

### (3) Summarized Financial Information of Associates as of and for the Years Ended December 31, 2022 and 2021 are as Follows (Korean won in millions):

(December 31, 2022)

Company	Assets	Liabilities	Operating income (loss)	Profit (loss) for the year	Total comprehensive income (loss)
Credit Guarantee and Investment Fund	₩ 1,653,409	₩ 110,405	₩ 19,719	₩ 10,534	₩ (2,920)
KTB Newlake Global Healthcare PEF	19,426	55	1,236	1,236	1,236
Korea Aerospace Industries Ltd.	7,795,181	6,341,964	141,618	115,919	175,268
Daewoo Shipbuilding & Marine Engineering Co., Ltd	12,235,665	11,490,693	(1,613,565)	(1,744,778)	(1,472,612)
KB-Badgers Future Mobility ESG Fund I	3,607	-	(1,618)	(1,618)	(1,618)

(December 31, 2021)

Company	Assets	Liabilities	Operating income (loss)	Profit (loss) for the year	Total comprehensive income (loss)
Credit Guarantee and Investment Fund	₩ 1,646,972	₩ 115,668	₩ 35,749	₩ 33,329	₩ 116,076
KTB Newlake Global Healthcare PEF	30,806	97	(99)	(99)	(99)
Korea Aerospace Industries Ltd.	5,866,555	4,569,344	57,795	53,040	82,427
Daewoo Shipbuilding & Marine Engineering Co., Ltd.	10,623,210	8,405,626	(1,754,651)	(1,699,829)	(1,699,829)

## 12. TANGIBLE ASSETS:

### (1) Details of Tangible Assets as of December 31, 2022 and 2021 are as Follows (Korean won in millions):

(December 31, 2022)

Detail	Acquisition cost		Accumulated depreciation		Government grants		Carrying amount
Lands	W	190,807	W	-	W	-	W 190,807
Buildings		106,731		(45,483)		(17)	61,231
Leasehold improvements		2,577		(821)		-	1,756
Vehicles		4,580		(3,324)		(37)	1,219
Furniture and fixture		63,677		(45,595)		-	18,082
Construction in progress		5,719		-		-	5,719
<b>Total</b>	<b>W</b>	<b>374,091</b>	<b>W</b>	<b>(95,223)</b>	<b>W</b>	<b>(54)</b>	<b>W 278,814</b>

(December 31, 2021)

Detail	Acquisition cost		Accumulated depreciation		Government grants		Carrying amount
Lands	W	190,807	W	-	W	-	W 190,807
Buildings		102,712		(42,332)		(17)	60,363
Leasehold improvements		1,571		(364)		-	1,207
Vehicles		4,304		(3,171)		(4)	1,129
Furniture and fixture		58,378		(40,582)		-	17,796
Construction in progress		1,542		-		-	1,542
<b>Total</b>	<b>W</b>	<b>359,314</b>	<b>W</b>	<b>(86,449)</b>	<b>W</b>	<b>(21)</b>	<b>W 272,844</b>

### (2) Changes in Tangible Assets for the Years Ended December 31, 2022 and 2021 are as Follows (Korean won in millions):

(2022)

Detail	Beginning balance		Acquisitions	Disposals	Depreciation	Foreign translations		Others	Ending balance
Lands	W	190,807	W	-	W	-	W	-	W 190,807
Buildings		60,363		4,098		(3,238)		8	61,231
Leasehold improvements		1,207		1,010		(466)		5	1,756
Vehicles		1,129		746		(612)		(1)	1,219
Furniture and fixture		17,796		6,908		(14)		(4)	18,082
Construction in progress		1,542		4,177		-		-	5,719
<b>Total</b>	<b>W</b>	<b>272,844</b>	<b>W</b>	<b>16,939</b>	<b>W</b>	<b>(10,920)</b>	<b>W</b>	<b>8</b>	<b>W 278,814</b>

(2021)

Detail	Beginning balance		Acquisitions	Disposals	Depreciation	Foreign translations		Others	Ending balance
Lands	W	190,807	W	-	W	-	W	-	W 190,807
Buildings		60,617		1,942		(2,446)		250	60,363
Leasehold improvements		237		1,209		(13)		(228)	1,207
Vehicles		1,259		323		(493)		45	1,129
Furniture and fixture		11,721		12,001		(1,049)		(4,677)	17,796
Construction in progress		455		1,087		-		-	1,542
<b>Total</b>	<b>W</b>	<b>265,096</b>	<b>W</b>	<b>16,562</b>	<b>W</b>	<b>(1,062)</b>	<b>W</b>	<b>(7,844)</b>	<b>W 272,844</b>

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

## 13. INTANGIBLE ASSETS:

**(1) Details of Intangible Assets as of December 31, 2022 and 2021 are as Follows (Korean won in millions):**

(December 31, 2022)

Detail	Acquisition cost	Accumulated Depreciation	Accumulated Impairment Losses	Carrying amount
Computer software	₩ 41,317	₩ (28,586)	₩ -	₩ 12,731
System development fees	78,412	(51,873)	-	26,539
Others	12	(6)	-	6
Memberships	5,278	-	(166)	5,112
<b>Total</b>	<b>₩ 125,019</b>	<b>₩ (80,465)</b>	<b>₩ (166)</b>	<b>₩ 44,388</b>

(December 31, 2021)

Detail	Acquisition cost	Accumulated Depreciation	Accumulated Impairment Losses	Carrying amount
Computer software	₩ 36,697	₩ (25,103)	₩ -	₩ 11,594
System development fees	65,192	(45,785)	-	19,407
Others	12	(3)	-	9
Memberships	4,085	-	(166)	3,919
<b>Total</b>	<b>₩ 105,986</b>	<b>₩ (70,891)</b>	<b>₩ (166)</b>	<b>₩ 34,929</b>

**(2) Changes in Intangible Assets for the Years Ended December 31, 2022 and 2021 are as Follows (Korean won in millions):**

(2022)

Detail	Beginning balance	Acquisitions	Disposals	Amortization	Reversal of (Additional) impairment	Foreign translations	Ending balance
Computer software	₩ 11,594	₩ 4,676	₩ -	₩ (3,554)	₩ -	₩ 15	₩ 12,731
System development fees	19,407	13,220	-	(6,088)	-	-	26,539
Others	9	-	-	(3)	-	-	6
Memberships	3,919	1,246	(76)	-	-	23	5,112
<b>Total</b>	<b>₩ 34,929</b>	<b>₩ 19,142</b>	<b>₩ (76)</b>	<b>₩ (9,645)</b>	<b>₩ -</b>	<b>₩ 38</b>	<b>₩ 44,388</b>

(2021)

Detail	Beginning balance	Acquisitions	Disposals	Amortization	Reversal of (Additional) impairment	Foreign translations	Ending balance
Computer software	₩ 8,835	₩ 6,739	₩ -	₩ (3,846)	₩ -	₩ (134)	₩ 11,594
System development fees	15,942	10,463	-	(6,998)	-	-	19,407
Others	12	-	-	(3)	-	-	9
Memberships	3,899	-	-	-	-	20	3,919
<b>Total</b>	<b>₩ 28,688</b>	<b>₩ 17,202</b>	<b>₩ -</b>	<b>₩ (10,847)</b>	<b>₩ -</b>	<b>₩ (114)</b>	<b>₩ 34,929</b>

## 14. OTHER ASSETS:

(1) Details of Other Assets as of December 31, 2022 and 2021 are as Follows (Korean won in millions):

	Dec 31, 2022		Dec. 31, 2021	
<b>Other financial assets:</b>				
Guarantee deposits	₩	49,451	₩	48,269
Accounts receivable		385,146		34,992
Accrued income		1,250,597		769,666
Receivable spot exchange		43		48
Allowances for loan losses on other assets		(24,992)		(8,034)
<b>Subtotal</b>		<b>1,660,245</b>		<b>844,941</b>
<b>Other assets:</b>				
Advance payments		76		57
Prepaid expenses		126,268		10,146
Current income tax asset		3,040		9,575
Sundry assets		37,496		11,235
<b>Subtotal</b>		<b>166,880</b>		<b>31,013</b>
<b>Total</b>	₩	<b>1,827,125</b>	₩	<b>875,954</b>

(2) Changes in Allowances for Loan Losses on Other Assets for the Years Ended December 31, 2022 and 2021 are as Follows (Korean won in millions):

	2022		2021	
Beginning balance	₩	8,034	₩	29,591
Collection		5		71
Additional (Reversal of) provisions		16,564		(22,356)
Others		389		728
<b>Ending balance</b>	₩	<b>24,992</b>	₩	<b>8,034</b>

## 15. BORROWINGS:

(1) Details of Borrowings as of December 31, 2022 and 2021 are as Follows (Korean won in millions):

(December 31, 2022)

Detail	Lender	Interest rate (%)	Amount
<b>Borrowings in foreign currencies:</b>			
Borrowings from Government	MINISTRY OF STRATEGY AND FINANCE	LIBOR 3M+0.65 ~ LIBOR 3M+0.78	₩ 667,866
Short-term borrowings from domestic financial institutions	INDUSTRIAL AND COMMERCIAL BANK OF CHINA SEOUL BRANCH	3.61 ~ 3.63	247,123
Short-term borrowings from foreign financial institutions	MUFG BANK SEOUL BRANCH and others	LIBOR 3M+0.09, 2.20	979,699
Long-term borrowings from domestic financial institutions	KOREA DEVELOPMENT BANK	LIBOR 3M+1.13 ~ LIBOR 3M+1.14	76,675
Long-term borrowings from foreign financial institutions	MUFG BANK SEOUL BRANCH and others	USD Term SOFR 3M+0.69	2,140,547
Discount on foreign borrowings		-	(18)
Commercial papers denominated in foreign currencies	CITIBANK N.A., HONG KONG(US) and others	(-)0.49 ~ 3.57	5,720,385
Offshore commercial papers denominated in foreign currencies	CITIBANK N.A., HONG KONG(US) and others	(-)0.35 ~ 1.62	426,599
Others (Foreign banks)	DBS BANK LTD, and others	0.06 ~ 0.30	235,258
Others (CSA)	BANK OF AMERICA and others	0.07	16,412
<b>Subtotal</b>			<b>10,510,546</b>
<b>Call money:</b>			
Call money dominated in foreign currencies	CANADIAN IMPERIAL BANK OF COMMERCE, HONGKONG	4.53	46,769
Securities sold under repurchase agreement	STANDARD CHARTERED BANK (HONG KONG) LIMITED and others	0.95 ~ 1.31	495,810
<b>Total</b>			₩ <b>11,053,125</b>

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(December 31, 2021)

Detail	Lender	Interest rate (%)	Amount
<b>Borrowings in foreign currencies:</b>			
Borrowings from Government	MINISTRY OF STRATEGY AND FINANCE	LIBOR 3M+0.64 ~ LIBOR 3M+0.78	₩ 947,309
Short-term borrowings from foreign financial institutions	SHINHAN BANK and others	(-)0.42 ~ 4.15	342,700
Long-term borrowings from domestic financial institutions	KOREA DEVELOPMENT BANK	LIBOR 3M+1.13 ~ LIBOR 3M+1.14	177,592
Long-term borrowings from foreign financial institutions	BANK OF AMERICA, N.A, SEOUL BR. (US) and others	LIBOR 3M+0.47 ~ LIBOR 3M+0.55	576,113
Discount on foreign borrowings			(94)
Commercial papers denominated in foreign currencies	CITIBANK N.A., HONG KONG(US) and others	0.21 ~ 0.35	1,713,018
Offshore commercial papers denominated in foreign currencies	CITIBANK N.A., HONG KONG(US) and others	(-)0.57 ~ 0.25	305,785
Others (Foreign banks)	DBS BANK LTD, and others	0.05 ~ 0.35	342,594
Others (CSA)	BANK OF AMERICA and others	0.07	457,105
<b>Subtotal</b>			<b>4,862,122</b>
<b>Call money:</b>			
Call money dominated in foreign currencies	WOORI BANK and others	0.19 ~ 0.25	652,025
Offshore call money dominated in foreign currencies	KEB HANA BANK	0.27	118,550
<b>Subtotal</b>			<b>770,575</b>
Securities sold under repurchase agreement	STANDARD CHARTERED BANK (HONG KONG) LIMITED and others	0.11	655,426
<b>Total</b>			<b>₩ 6,288,123</b>

## (2) Details of the Borrowings from Other Financial Institutions as of December 31, 2022 and 2021 are as Follows (Korean won in millions):

(December 31, 2022)

Type	Call money	Securities sold under repurchase agreement	Borrowings in foreign currencies	Total
Commercial banks	₩ 46,769	₩ 495,810	₩ 9,842,698	₩ 10,385,277

(December 31, 2021)

Type	Call money	Securities sold under repurchase agreement	Borrowings in foreign currencies	Total
Commercial banks	₩ 770,575	₩ 655,426	₩ 3,914,907	₩ 5,340,908

The above borrowings excluded the present value discounting effect.



## 16. DEBENTURES:

Details of debentures as of December 31, 2022 and 2021 are as follows (Korean won in millions):

Detail	Dec 31, 2022		Dec. 31, 2021	
	Interest rate (%)	Amount	Interest rate (%)	Amount
<b>Local currency:</b>				
Floating rate	31-Day CD+0.11 ~ 31-Day CD+0.60	₩ 4,090,000	31-Day CD+0.06 ~ 31-Day CD+0.12	₩ 3,100,000
Fixed rate	0.89 ~ 5.58	24,830,000	0.75~4.70	19,810,000
		<b>28,920,000</b>		<b>22,910,000</b>
Fair value hedging adjusting		(170,631)		(63,620)
Discount on debentures		(195,715)		(47,322)
<b>Subtotal</b>		<b>28,553,654</b>		<b>22,799,058</b>
<b>Foreign currencies:</b>				
Floating rate	USD SOFR Index+0.25 ~ USD SOFR Index+0.775	9,443,252	Libor3M+0.20 ~ Libor3M+1.35	9,766,115
Fixed rate	0.00 ~ 12.60	52,761,984	0.00 ~ 11.09	43,801,187
<b>Subtotal</b>		<b>62,205,236</b>		<b>53,567,302</b>
Fair value hedging adjusting		(2,857,028)		205,544
Discount on debentures		(110,239)		(85,851)
<b>Subtotal</b>		<b>59,237,969</b>		<b>53,686,995</b>
<b>Total</b>		<b>₩ 87,791,623</b>		<b>₩ 76,486,053</b>

## 17. PROVISIONS:

(1) Details of Provisions as of December 31, 2022 and 2021 are as Follows (Korean won in millions):

	Dec 31, 2022		Dec. 31, 2021	
Provisions for acceptances and guarantees	₩	597,078	₩	380,982
Provisions for unused loan commitments		468,683		239,343
Provisions for others		28,480		1,130
<b>Total</b>	<b>₩</b>	<b>1,094,241</b>	<b>₩</b>	<b>621,455</b>

(2) Changes in Provisions for the Years Ended December 31, 2022 and 2021 are as Follows (Korean won in millions):

(2022)

	Acceptances and guarantees				Total
	12 months expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets		
Beginning balance	₩ 52,983	₩ 311,291	₩ 16,708	₩ 380,982	
- Transfer to 12 months expected credit losses	22,024	(22,024)	-	-	
- Transfer to lifetime expected credit losses	(44)	44	-	-	
- Transfer to credit-impaired financial assets	-	-	-	-	
Foreign exchange translation	3,273	14,426	644	18,343	
Additional provisions (reversal of provisions)	(4,462)	209,372	(7,157)	197,753	
Ending balance	₩ 73,774	₩ 513,109	₩ 10,195	₩ 597,078	

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Unused loan commitments			
	12 months expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets	Total
Beginning balance	₩ 37,502	₩ 199,789	₩ 2,052	₩ 239,343
- Transfer to 12 months expected credit losses	1,965	(1,965)	-	-
- Transfer to lifetime expected credit losses	(11)	142	(131)	-
- Transfer to credit-impaired financial assets	-	-	-	-
Foreign exchange translation	710	-	-	710
Additional provisions (reversal of provisions)	18,263	212,113	(1,746)	228,630
Ending balance	₩ 58,429	₩ 410,079	₩ 175	₩ 468,683

(2021)

	Acceptances and guarantees			
	12 months expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets	Total
Beginning balance	₩ 42,505	₩ 272,431	₩ 72,090	₩ 387,026
- Transfer to 12 months expected credit losses	11,480	(6,935)	(4,545)	-
- Transfer to lifetime expected credit losses	(10)	10	-	-
- Transfer to credit-impaired financial assets	(717)	-	717	-
Foreign exchange translation	2,349	12,463	625	15,437
Additional provisions (reversal of provisions)	(2,624)	33,322	(52,179)	(21,481)
Ending balance	₩ 52,983	₩ 311,291	₩ 16,708	₩ 380,982

	Unused loan commitments			
	12 months expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets	Total
Beginning balance	₩ 33,812	₩ 188,718	₩ 16,792	₩ 239,322
- Transfer to 12 months expected credit losses	15,000	-	(15,000)	-
- Transfer to lifetime expected credit losses	-	-	-	-
- Transfer to credit-impaired financial assets	(2)	-	2	-
Foreign exchange translation	1,023	-	41	1,064
Additional provisions (reversal of provisions)	(12,331)	11,071	217	(1,043)
Ending balance	₩ 37,502	₩ 199,789	₩ 2,052	₩ 239,343

## 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 that 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 (“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 due to 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 Obligations as of December 31, 2022 and 2021 are as Follows (Korean won in millions):**

	Dec 31, 2022		Dec. 31, 2021	
Present value of defined benefit obligations	₩	99,458	₩	120,747
Fair value of plan assets		(144,442)		(134,022)
Net defined benefit liabilities (assets)	₩	(44,984)	₩	(13,275)

**(3) Changes in net Defined Benefit Obligations for the Years Ended December 31, 2022 and 2021 are as Follows (Korean won in millions):**

(December 31, 2022)

	Present value of the defined benefit obligations		Plan assets		Net defined benefit liabilities (assets)	
Beginning balance	₩	120,747	₩	(134,022)	₩	(13,275)
Contributions from the employer		-		(16,874)		(16,874)
Current-service cost		11,373		-		11,373
Interest expense (income)		4,234		(4,775)		(541)
Actuarial gains and losses arising from changes in demographic assumptions		1,408		-		1,408
Actuarial gains and losses arising from changes in financial assumptions		(26,129)		1,979		(24,150)
Actuarial gains and losses arising from experience adjustments		(1,137)		-		(1,137)
Foreign exchange translation		-		-		-
Management fees on plan assets		-		232		232
Past-service cost		-		-		-
Benefits paid		(11,038)		9,018		(2,020)
Ending balance	₩	99,458	₩	(144,442)	₩	(44,984)

(December 31, 2021)

	Present value of the defined benefit obligations		Plan assets		Net defined benefit liabilities (assets)	
Beginning balance	₩	111,620	₩	(115,812)	₩	(4,192)
Contributions from the employer		-		(21,220)		(21,220)
Current-service cost		11,407		-		11,407
Interest expense (income)		3,465		(3,640)		(175)
Actuarial gains and losses arising from changes in demographic assumptions		512		-		512
Actuarial gains and losses arising from changes in financial assumptions		(8,839)		1,603		(7,236)
Actuarial gains and losses arising from experience adjustments		(2,524)		-		(2,524)
Foreign exchange translation		454		-		454
Management fees on plan assets		-		206		206
Past-service cost		9,502		-		9,502
Benefits paid		(4,850)		4,841		(9)
Ending balance	₩	120,747	₩	(134,022)	₩	(13,275)

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

#### (4) Details of Fair Value of plan Assets as of December 31, 2022 and 2021 are as Follows (Korean won in millions):

	Dec. 31, 2022		Dec. 31, 2021	
Cash and cash equivalent	₩	1,086	₩	50,427
Debt instruments		8,102		-
Others		135,254		83,595
<b>Total</b>	<b>₩</b>	<b>144,442</b>	<b>₩</b>	<b>134,022</b>

#### (5) Actuarial Assumptions Used in Retirement Benefit Obligations Assessment as of December 31, 2022 and 2021 are as Follows:

	Dec. 31, 2022		Dec. 31, 2021	
Discount rate		5.87%		3.64%
Expected wage growth rate		1.37%		1.40%

#### (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, 2022 and 2021 are as follows (Korean won in millions):

(December 31, 2022)

Detail	1% p Increase		1% p Decrease	
Change of discount rate	₩	(8,408)	₩	9,782
Change of future salary increase rate		10,075		(8,842)

(December 31, 2021)

Detail	1% p Increase		1% p Decrease	
Change of discount rate	₩	(11,774)	₩	13,924
Change of future salary increase rate		14,036		(11,162)

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 costs incurred from the defined contribution plan for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022		2021	
Retirement benefits	₩	1,608	₩	2,977

## 19. OTHER LIABILITIES:

(1) Details of other liabilities as of December 31, 2022 and 2021 are as follows (Korean won in millions):

	Dec 31, 2022		Dec. 31, 2021	
<b>Other financial liabilities:</b>				
Financial guarantee contract liabilities	₩	1,161,253	₩	1,140,299
Foreign exchanges payable		110		8
Accounts payable		371,040		28,393
Accrued expenses		1,000,131		662,250
Guarantee deposit received		353		353
Subtotal		2,532,887		1,831,303
<b>Other liabilities:</b>				
Derivatives deferred trading day profit and loss adjustment		9,515		-
Allowance for credit loss in derivatives		-		39,670
Unearned income		130,781		106,317
Sundry liabilities		49,708		28,334
Subtotal		190,004		174,321
<b>Total</b>	<b>₩</b>	<b>2,722,891</b>	<b>₩</b>	<b>2,005,624</b>

(2) Changes in financial guarantee contract liabilities for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022		2021	
Beginning balance	₩	1,140,299	₩	1,182,101
Foreign exchange translation		48,611		58,185
Additional financial guarantee contract liabilities (Reversal of financial guarantee contract liabilities)		(9,963)		(75,587)
Others(*1)		(17,694)		(24,400)
Ending balance	₩	1,161,253	₩	1,140,299

(\*1) Others are the effects of the change due to newly occurrence and the arrival of maturity of financial guarantee contracts evaluated by fair value the first time and the changes in discount rates.

## 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.

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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 in fair values of 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 are 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 are 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. If the forecasted transaction is no longer expected to occur, 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 are 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 in cash flows of hedged items arising from changes in foreign exchange rates.

## (3) Details of derivative assets and liabilities as of December 31, 2022 and 2021 are as follows (Korean won in millions):

(December 31, 2022)

Detail	Notional	Derivative assets(*1)			
		Fair value hedge	Cash flow hedge	Trading	Total
<b>Interest:</b>					
Interest rate swaps	₩ 56,314,118	₩ 522	₩ -	₩ 903,044	₩ 903,566
<b>Currency:</b>					
Currency forwards	96,005,661	-	-	256,184	256,184
Currency swaps	30,035,585	307,595	49,580	770,286	1,127,461
<b>Subtotal</b>	<b>126,041,246</b>	<b>307,595</b>	<b>49,580</b>	<b>1,026,470</b>	<b>1,383,645</b>
<b>Total</b>	<b>₩ 182,355,364</b>	<b>₩ 308,117</b>	<b>₩ 49,580</b>	<b>₩ 1,929,514</b>	<b>₩ 2,287,211</b>

(\*1) Credit risk adjustments related to derivatives are excluded.

Detail	Notional	Derivative liabilities			Total
		Fair value hedge	Net investment hedge	Trading	
<b>Interest:</b>					
Interest rate swaps	₩ 56,314,118	₩ 1,095,377	₩ 12	₩ 1,457,447	₩ 2,552,836
<b>Currency:</b>					
Currency forwards	96,005,661	-	-	339,352	339,352
Currency swaps	30,035,585	1,261,531	-	716,688	1,978,219
<b>Subtotal</b>	<b>126,041,246</b>	<b>1,261,531</b>	<b>-</b>	<b>1,056,040</b>	<b>2,317,571</b>
<b>Total</b>	<b>₩ 182,355,364</b>	<b>₩ 2,356,908</b>	<b>₩ 12</b>	<b>₩ 2,513,487</b>	<b>₩ 4,870,407</b>

(December 31, 2021)

Detail	Notional	Derivative assets			
		Fair value hedge	Cash flow hedge	Trading	Total
<b>Interest:</b>					
Interest rate swaps	₩ 47,235,133	₩ 275,487	₩ -	₩ 578,475	₩ 853,962
<b>Currency:</b>					
Currency forwards	5,871,649	-	-	57,739	57,739
Currency swaps	26,112,779	282,508	3,916	317,812	604,236
<b>Subtotal</b>	<b>31,984,428</b>	<b>282,508</b>	<b>3,916</b>	<b>375,551</b>	<b>661,975</b>
<b>Stock:</b>					
Stock options	46,952	-	-	425	425
<b>Total</b>	<b>₩ 79,266,513</b>	<b>₩ 557,995</b>	<b>₩ 3,916</b>	<b>₩ 954,451</b>	<b>₩ 1,516,362</b>

Detail	Notional	Derivative liabilities			
		Fair value hedge	Cash flow hedge	Trading	Total
<b>Interest:</b>					
Interest rate swaps	₩ 47,235,133	₩ 147,373	₩ -	₩ 367,018	₩ 514,391
<b>Currency:</b>					
Currency forwards	5,871,649	-	-	40,909	40,909
Currency swaps	26,112,779	513,684	-	359,498	873,182
<b>Subtotal</b>	<b>31,984,428</b>	<b>513,684</b>	<b>-</b>	<b>400,407</b>	<b>914,091</b>
<b>Stock:</b>					
Stock options	46,952	-	-	690	690
<b>Total</b>	<b>₩ 79,266,513</b>	<b>₩ 661,057</b>	<b>₩ -</b>	<b>₩ 768,115</b>	<b>₩ 1,429,172</b>

**(4) Gains and losses from fair value hedging instruments and hedged items attributable to the hedged risk for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):**

	2022	2021
Fair value hedge – hedged items	₩ 3,165,476	₩ 1,231,752
Fair value hedge – hedging instruments	(3,229,844)	(1,556,335)

**(5) As a result of cash flow hedge, the Consolidated Entity recognized ₩46,612 million and ₩3,913 million as other comprehensive income (loss) (before tax effect) for the years ended December 31, 2022 and 2021 and there is no ineffectiveness recognized for the years ended December 31, 2022 and 2021.**

#### **(6) Hedge accounting**

##### 1) Purpose and strategy of risk avoidance

The Consolidated Entity transacts with derivative financial instruments to hedge its interest rate risk and currency risk arising from the assets and liabilities of the Consolidated Entity. The Consolidated Entity applies the fair value hedge accounting for the changes in the market interest rates of the financial debentures in Korean won and foreign currency and the loans in foreign currency; and cash flow hedge accounting for interest rate swaps to hedge cash flow risk due to interest rates of the debentures in Korean won.

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

2) Nominal amount and average hedge ratio for derivatives as of December 31, 2022 and 2021 are as follows (Korean won in millions):

(December 31, 2022)

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
<b>Fair value hedges</b>							
Nominal amount of hedged items	₩ 10,180,257	₩ 12,030,420	₩ 9,817,699	₩ 5,946,113	₩ 3,540,756	₩ 8,604,823	₩ 50,120,068
Nominal amount of hedging instruments	10,228,201	12,042,974	8,867,224	5,946,113	3,540,756	8,689,614	49,314,882
Average hedge ratio	100.47%	100.10%	90.32%	100.00%	100.00%	100.99%	98.39%
<b>Cash flow hedges</b>							
Nominal amount of hedged items	₩ -	₩ 111,593	₩ 643,808	₩ -	₩ -	₩ -	₩ 755,401
Nominal amount of hedging instruments	-	111,593	643,808	-	-	-	755,401
Average hedge ratio	-	100.00%	100.00%	-	-	-	100.00%

(December 31, 2021)

	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
<b>Fair value hedges</b>							
Nominal amount of hedged items	₩ 6,662,420	₩ 6,872,921	₩ 9,069,369	₩ 7,143,818	₩ 5,552,558	₩ 7,382,156	₩ 42,683,242
Nominal amount of hedging instruments	6,649,848	6,872,921	9,072,215	6,254,693	5,552,558	7,433,170	41,835,405
Average hedge ratio	99.81%	100.00%	100.03%	87.55%	100.00%	100.69%	98.01%
<b>Cash flow hedges</b>							
Nominal amount of hedged items	₩ 59,275	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 59,275
Nominal amount of hedging instruments	59,275	-	-	-	-	-	59,275
Average hedge ratio	100.00%	-	-	-	-	-	100.00%

3) Effect of hedge accounting on consolidated financial statement, consolidated statement of comprehensive income, consolidated statement of changes in equity

① Effect of hedging instruments on consolidated statement financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity as of December 31, 2022 and 2021 are as follows (Korean won in millions):

(December 31, 2022)

	Nominal amount	Carrying amount of assets(*1)	Carrying amount of liabilities	Changes of fair value in the year
<b>Fair value hedges</b>				
Interest swap	₩ 34,285,517	₩ 522	₩ 1,095,377	₩ (2,935,547)
Currency swap	15,029,365	307,595	1,261,531	(722,761)
<b>Subtotal</b>	<b>49,314,882</b>	<b>308,117</b>	<b>2,356,908</b>	<b>(3,658,308)</b>
Cash flow hedges	755,401	49,580	-	45,664
<b>Total</b>	<b>₩ 50,070,283</b>	<b>₩ 357,697</b>	<b>₩ 2,356,908</b>	<b>₩ (3,612,644)</b>

(\*1) Credit risk adjustments related to derivatives are excluded.

(December 31, 2021)

	Nominal amount	Carrying amount of assets	Carrying amounts of liabilities	Changes of fair value in the year
<b>Fair value hedges</b>				
Interest swap	₩ 28,537,438	₩ 275,487	₩ 147,373	₩ (797,378)
Currency swap	13,297,967	282,508	513,684	(791,844)
<b>Subtotal</b>	<b>41,835,405</b>	<b>557,995</b>	<b>661,057</b>	<b>(1,589,222)</b>
Cash flow hedges	59,275	3,916	-	3,916
<b>Total</b>	<b>₩ 41,894,680</b>	<b>₩ 561,911</b>	<b>₩ 661,057</b>	<b>₩ (1,585,306)</b>



② Effect of fair value hedged items on consolidated statement financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity as of December 31, 2022 and 2021 are as follows (Korean won in millions):

(December 31, 2022)

Detail	Consolidated statement financial position		Accumulated adjustment of fair value hedging		Changes of fair value in the year
	Loan	Debtenture	Asset	Liability	
<b>Interest:</b>					
Discontinuation of risk hedging Loans in foreign currencies	₩ 17,093	₩ -	₩ 402	₩ -	₩ (1,188)
Debtentures in local currency	-	602,989	-	(170,631)	107,011
Debtentures in foreign currencies	-	31,810,613	-	(2,602,017)	1,081,608
<b>Subtotal</b>	<b>17,093</b>	<b>32,413,602</b>	<b>402</b>	<b>(2,772,648)</b>	<b>1,187,431</b>
<b>Currency:</b>					
Loans in foreign currencies	149,661	-	(8,360)	-	(4,204)
Discontinuation of risk hedging Loans in foreign currencies	13,782	-	(67)	-	33
Debtentures in foreign currencies	-	14,360,000	-	(253,171)	(254,124)
Discontinuation of risk hedging Debtentures in foreign currencies	-	18,333	-	(1,840)	97
<b>Subtotal</b>	<b>163,443</b>	<b>14,378,333</b>	<b>(8,427)</b>	<b>(255,011)</b>	<b>(258,198)</b>
<b>Total</b>	<b>₩ 180,536</b>	<b>₩ 46,791,935</b>	<b>₩ (8,025)</b>	<b>₩ (3,027,659)</b>	<b>₩ 929,233</b>

(December 31, 2021)

Detail	Consolidated statement financial position		Accumulated adjustment of fair value hedging		Changes of fair value in the year
	Loan	Debtenture	Asset	Liability	
<b>Interest:</b>					
Discontinuation of risk hedging Loans in foreign currencies	₩ 32,243	₩ -	₩ 1,533	₩ -	₩ (1,268)
Debtentures in local currency	-	680,000	-	(63,620)	31,817
Debtentures in foreign currencies	-	28,930,459	-	215,758	816,305
<b>Subtotal</b>	<b>32,243</b>	<b>29,610,459</b>	<b>1,533</b>	<b>152,138</b>	<b>846,854</b>
<b>Currency:</b>					
Loans in foreign currencies	148,898	-	(4,156)	-	(4,156)
Discontinuation of risk hedging Loans in foreign currencies	14,402	-	(100)	-	(16)
Debtentures in foreign currencies	-	12,923,885	-	(8,277)	287,476
Discontinuation of risk hedging Debtentures in foreign currencies	-	16,190	-	(1,937)	(98)
<b>Subtotal</b>	<b>163,300</b>	<b>12,940,075</b>	<b>(4,256)</b>	<b>(10,214)</b>	<b>283,206</b>
<b>Total</b>	<b>₩ 195,543</b>	<b>₩ 42,550,534</b>	<b>₩ (2,723)</b>	<b>₩ 141,924</b>	<b>₩ 1,130,060</b>

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

③ Effect of cash flow hedged items on consolidated statement financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity as of December 31, 2022 and 2021 are as follows (Korean won in millions):

(December 31, 2022)

Detail	Consolidated statements of Financial position		Accumulated adjustment of cash flow hedging		Changes of fair value in the year	
<b>Currency:</b>						
Debentures in foreign currencies	₩	755,401	₩	38,805	₩	(46,172)

(December 31, 2021)

Detail	Consolidated statements of Financial position		Accumulated adjustment of cash flow hedging		Changes of fair value in the year	
<b>Currency:</b>						
Debentures in foreign currencies	₩	59,275	₩	2,968	₩	(4,024)

4) Gains (losses) on hedged items and hedging instruments attributable to the hedged ineffectiveness for the year ended December 31, 2022 and 2021 are as follows (Korean won in millions):

(2022)

	Losses on hedged items		Gains on hedging instruments		Hedge ineffectiveness recognized in profit (loss)	
Fair value hedges	₩	3,150,578	₩	(2,709,371)	₩	441,207
Cash flow hedges		(46,172)		45,664		-
<b>Total</b>	₩	<b>3,104,406</b>	₩	<b>(2,663,707)</b>	₩	<b>441,207</b>

(2021)

	Losses on hedged items		Gains on hedging instruments		Hedge ineffectiveness recognized in profit (loss)	
Fair value hedges	₩	1,131,161	₩	(1,091,127)	₩	40,034
Cash flow hedges		(4,024)		3,916		-
<b>Total</b>	₩	<b>1,127,137</b>	₩	<b>(1,087,211)</b>	₩	<b>40,034</b>

## (7) Interest Rate Benchmark Reform

The hedging relationship to which the Bank applies fair value hedge and cash flow hedge is affected by the interest rate benchmark reform. The interest rate benchmarks that the hedging relationship is exposed to, are as follows (Korean won in millions):

Interest rate benchmark	Carrying amount of hedged items (assets)		Carrying amount of hedged items (liabilities)		Nominal amount of hedging instruments	
KRW CD 3M	₩	-	₩	160,000	₩	116,343
KRW CMS 10Y		-		110,000		92,704
USD LIBOR 3M(*1)		141,301		25,140,478		24,258,546
USD LIBOR 6M(*1)		-		5,329,158		4,794,624
EURIBOR 3M		-		202,680		189,193
EURIBOR 6M		-		5,262,924		4,980,749
EUR CMS 20Y		-		250,000		190,889
EUR CMS 30Y		-		190,000		139,434
AUD BBSW 3M		-		1,373,456		1,365,907
AUD BBSYB 3M		-		755,401		750,334
NOK NIBOR 6M		-		48,765		49,118
<b>Total</b>	₩	<b>141,301</b>	₩	<b>38,822,862</b>	₩	<b>36,927,841</b>

(\*1) Hedged items and hedging instruments due before June 30, 2023, when the LIBOR interest rate will be ceased being published, are excluded.

## 21. CAPITAL STOCK:

As of December 31, 2022, the authorized capital and paid-in capital of the Consolidated Entity are ₩15,000,000 million and ₩12,773,254 million, respectively. The Consolidated Entity does not issue share certificates.

Changes in capital stock for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022		2021	
Beginning balance	₩	12,748,254	₩	12,449,456
Paid-in capital increase		25,000		298,798
Ending balance	₩	12,773,254	₩	12,748,254

## 22. OTHER COMPONENTS OF EQUITY:

**(1) Details of other components of equity as of December 31, 2022 and 2021 are as follows (Korean won in millions):**

	Dec. 31, 2022		Dec. 31, 2021	
Gain (loss) on equity securities at FVOCI	₩	882,403	₩	842,815
Gain (loss) on debt securities at FVOCI		(238,279)		15,236
Gain (loss) on valuation of cash flow hedge		38,805		2,968
Other comprehensive gain (loss) on investment in associates		(2,249)		(1,310)
Gain (loss) on overseas business translation		19,487		(142)
Remeasurement of net defined benefit liabilities		37,454		18,865
<b>Total</b>	<b>₩</b>	<b>737,621</b>	<b>₩</b>	<b>878,432</b>

**(2) Changes in other components for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):**

(2022)

	Beginning Balance	Increase (decrease)	Tax effect	Ending balance
Gain (loss) on equity securities at FVOCI	₩ 842,815	₩ 37,176	₩ 2,412	₩ 882,403
Gain (loss) on debt securities at FVOCI	15,236	(330,359)	76,844	(238,279)
Gain (loss) on valuation of cash flow hedge	2,968	46,612	(10,775)	38,805
Other comprehensive gain (loss) on investment in associates	(1,310)	(1,406)	467	(2,249)
Gain (loss) on overseas business translation	(142)	19,906	(277)	19,487
Remeasurement of net defined benefit liabilities	18,865	23,879	(5,290)	37,454
<b>Total</b>	<b>₩ 878,432</b>	<b>₩ (204,192)</b>	<b>₩ 63,381</b>	<b>₩ 737,621</b>

(2021)

	Beginning Balance	Increase (decrease)	Tax effect	Ending balance
Gain (loss) on equity securities at FVOCI	₩ 773,103	₩ 91,968	₩ (22,256)	₩ 842,815
Gain (loss) on debt securities at FVOCI	21,090	(7,723)	1,869	15,236
Gain (loss) on valuation of cash flow hedge	3	3,913	(948)	2,968
Other comprehensive gain (loss) on investment in associates	(10,416)	12,012	(2,906)	(1,310)
Gain (loss) on overseas business translation	(35,834)	36,051	(359)	(142)
Remeasurement of net defined benefit liabilities	11,855	9,248	(2,238)	18,865
<b>Total</b>	<b>₩ 759,801</b>	<b>₩ 145,469</b>	<b>₩ (26,838)</b>	<b>₩ 878,432</b>

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

## 23. RETAINED EARNINGS:

**(1) Details of retained earnings as of December 31, 2022 and 2021 are as follows (Korean won in millions):**

	Dec 31, 2022		Dec. 31, 2021	
Legal reserve (*1)	₩	500,991	₩	446,237
Voluntary reserve (*2)		925,147		710,767
Regulatory reserve for loan losses		238,330		151,180
Unappropriated retained earnings		490,226		610,689
<b>Total</b>	<b>₩</b>	<b>2,154,694</b>	<b>₩</b>	<b>1,918,873</b>

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

(\*2) The Consolidated Entity appropriates profit for the year, net of the regulatory reserve for loan losses and the dividends, as voluntary reserve.

**(2) Changes in retained earnings for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):**

	2022		2021	
Beginning balance	₩	1,918,873	₩	1,471,992
Profit for the period attributable to the owners of the parent company		415,484		481,735
Appropriation of retained earnings		(191,256)		(40,759)
Transfer from OCI to retained earnings		11,593		5,905
<b>Ending balance</b>	<b>₩</b>	<b>2,154,694</b>	<b>₩</b>	<b>1,918,873</b>

### (3) Regulatory reserve for loan losses

Regulatory reserve for loan losses is calculated and disclosed according to Article 29 (1) and (2), Regulation on Supervision of Banking Business. In accordance with Regulation on Supervision of Banking Business, etc., if the estimated allowance for credit loss determined by K-IFRS for the accounting purpose is lower than that for the regulatory purpose required by Regulation on Supervision of Banking Business, the Consolidated Entity should reserve such difference as the regulatory reserve for loan losses. Due to the fact that regulatory reserve for loan losses is a voluntary reserve, the amounts that exceed the existing regulatory reserve for loan losses over the compulsory regulatory reserve for loan losses at the year-end date are reversed in profit. In case of accumulated deficit, the Consolidated Entity should recommence setting aside regulatory reserve for loan losses at the time when accumulated deficit is reduced to zero.

1) Regulatory reserve for loan losses

Details of regulatory reserve for loan losses as of December 31, 2022 and 2021 are as follows (Korean won in millions):

	Dec 31, 2022		Dec. 31, 2021	
Accumulated regulatory reserve for loan losses	₩	238,330	₩	151,180
Expected regulatory reserve for loan losses		37,393		87,150
<b>Regulatory reserve for loan losses</b>	<b>₩</b>	<b>275,723</b>	<b>₩</b>	<b>238,330</b>

2) Regulatory reserve for loan losses and profit for the year after adjusting regulatory reserve for loan losses.

Details of regulatory reserve for loan losses and profit for the year after adjusting the reserve for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022		2021	
Profit for the year	₩	415,484	₩	481,735
Provision for regulatory reserve for loan losses		37,393		87,150
<b>Profit after adjusting the regulatory reserve for loan losses (*1)</b>	<b>₩</b>	<b>378,091</b>	<b>₩</b>	<b>394,585</b>

(\*1) Adjusted profit considering regulatory reserves for loan losses as above is calculated by assuming that the provision in regulatory reserve for loan losses before income tax is reflected in profit for the year.

**(4) Details of dividends for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):**

	2022		2021	
The Government	₩	131,464	₩	27,711
Bank of Korea		17,478		3,814
Korea Development Bank		42,314		9,234
<b>Total</b>	<b>₩</b>	<b>191,256</b>	<b>₩</b>	<b>40,759</b>

## 24. 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, 2022 and 2021 are as follows (Korean won in millions):**

	2022		2021	
<b>Interest of due from financial institutions:</b>				
Due from financial institutions in local currency	₩	32,980	₩	7,519
Due from financial institutions in foreign currencies		106,541		6,686
<b>Subtotal</b>		<b>139,521</b>		<b>14,205</b>
<b>Interest of financial assets at FVTPL:</b>				
Interest of securities at FVTPL		-		218
Interest of loans at FVTPL		-		565
<b>Subtotal</b>		<b>-</b>		<b>783</b>
<b>Interest of financial investments:</b>				
Interest of securities at FVOCI		59,912		40,243
Interest of securities at amortized cost		27,472		13,977
<b>Subtotal</b>		<b>87,384</b>		<b>54,220</b>
<b>Interest of loans:</b>				
Interest of loans in local currency		758,491		537,619
Interest of loans in foreign currencies		2,057,143		1,143,053
Interest of bills bought		20,824		12,422
Interest of advance for customers		293		987
Interest of call loans		42,954		2,291
Interest of interbank loans		9,193		2,685
Interest of finance lease		9,297		5,637
<b>Subtotal</b>		<b>2,898,195</b>		<b>1,704,694</b>
Other interest income		3		412
<b>Total</b>	<b>₩</b>	<b>3,125,103</b>	<b>₩</b>	<b>1,774,314</b>

**(2) Details of interest expenses for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):**

	2022		2021	
<b>Interest of borrowings:</b>				
Interest of borrowings in foreign currencies	₩	185,682	₩	33,929
Interest of securities sold under repurchase agreements		11,224		862
<b>Subtotal</b>		<b>196,906</b>		<b>34,791</b>
Interest of call-money		1,922		744
<b>Interest of debentures:</b>				
Interest of debentures in local currency		561,506		268,912
Interest of debentures in foreign currencies		1,376,173		542,099
<b>Subtotal</b>		<b>1,937,679</b>		<b>811,011</b>
Other interest expense		1,297		1,072
<b>Total</b>	<b>₩</b>	<b>2,137,804</b>	<b>₩</b>	<b>847,618</b>

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

## 25. 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, 2022 and 2021 are as follows (Korean won in millions):

	2022		2021	
<b>Commission income in local currency:</b>				
Commission income on management of EDCF (*1)	₩	21,382	₩	20,820
Commission income on management of IKCF (*2)		2,170		2,200
Other commission income in local currency		1,344		1,973
<b>Subtotal</b>		<b>24,896</b>		<b>24,993</b>
<b>Commission income in foreign currencies:</b>				
Commission income on letters of credit		3,463		2,814
Commission income on confirmation on export letter of credit		-		13
Commission income on loan commitments		46,257		28,311
Management fees		495		1,421
Arrangement fees		17,605		3,021
Advisory fees		2,745		353
Advance redemption fees		5,723		4,503
Brokerage fee for foreign currencies exchange funds		110		176
Sundry commission income on foreign exchange		237		500
Structuring fees		-		51
Fees received on other loans in foreign currency		593		549
Sundry commissions received from foreign currencies revenue		6,226		6,359
<b>Subtotal</b>		<b>83,454</b>		<b>48,071</b>
<b>Others:</b>				
Other commission income		6,308		10,896
<b>Guarantee fees in foreign currencies:</b>				
Guarantee fees in foreign currencies		163,983		129,926
Premium for guarantee		88,367		100,034
<b>Subtotal</b>		<b>252,350</b>		<b>229,960</b>
<b>Total</b>	<b>₩</b>	<b>367,008</b>	<b>₩</b>	<b>313,920</b>

(\*1) Economic Development Cooperation Fund

(\*2) Inter Korean Cooperation Fund

### (2) Details of commission expenses for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022		2021	
<b>Commission expenses in local currency:</b>				
Commission expenses on domestic transactions	₩	594	₩	518
<b>Commission expenses in foreign currencies:</b>				
Commission expenses on foreign exchange transactions		46		39
Commission expenses on borrowings in foreign currencies		9,213		3,495
Sundry commission expenses on foreign exchange		6,085		4,003
<b>Subtotal</b>		<b>15,344</b>		<b>7,537</b>
<b>Others:</b>				
Other commission income		16,296		18,763
<b>Total</b>	<b>₩</b>	<b>32,234</b>	<b>₩</b>	<b>26,818</b>

## 26. DIVIDEND INCOME:

Details of dividend income for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022		2021	
Financial assets at FVOCI	₩	60,627	₩	49,889

## 27. GAIN (LOSS) ON FINANCIAL ASSETS AT FVTPL:

Details of gain (loss) on financial assets at FVTPL for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022		2021	
<b>Securities at FVTPL:</b>				
Gain on valuation	₩	36,319	₩	18,846
Loss on valuation		(16,073)		(12,951)
Gain on disposal		39,517		9,885
Loss on disposal		(2,609)		(1,936)
Others		19,939		15,816
<b>Subtotal</b>		<b>77,093</b>		<b>29,660</b>
<b>Loans at FVTPL:</b>				
Gain on valuation		-		505
Loss on valuation		(289)		-
Loss on disposal		(119)		(423)
<b>Subtotal</b>		<b>(408)</b>		<b>82</b>
<b>Trading derivatives:</b>				
Gain on valuation		1,567,207		856,142
Loss on valuation		(2,330,999)		(996,182)
Gain on transaction		1,617,433		910,135
Loss on transaction		(1,235,833)		(672,849)
<b>Subtotal</b>		<b>(382,192)</b>		<b>97,246</b>
<b>Total</b>	₩	<b>(305,507)</b>	₩	<b>126,988</b>

## 28. GAIN (LOSS) ON HEDGING DERIVATIVES:

Details of gain (loss) on hedging derivatives for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022		2021	
Gain on hedging derivatives	₩	492,483	₩	189,053
Loss on hedging derivatives		(3,716,317)		(1,745,358)
<b>Total</b>	₩	<b>(3,223,834)</b>	₩	<b>(1,556,305)</b>

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

## 29. GAIN (LOSS) ON FINANCIAL INVESTMENTS:

Details of gain (loss) on financial investments for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022		2021	
<b>Financial assets at FVOCI:</b>				
Gain on disposals	₩	97	₩	4,671
Loss on disposals		(144)		(1,051)
Gain on redemption		138		69
Loss on redemption		(439)		(214)
Subtotal		(348)		3,475
<b>Financial assets at amortized cost</b>				
Gain on disposals		1		-
Loss on disposals		-		(400)
Gain on redemption		52		27
Subtotal		53		(373)
<b>Total</b>	<b>₩</b>	<b>(295)</b>	<b>₩</b>	<b>3,102</b>

## 30. OTHER OPERATING INCOME (EXPENSES):

Details of other operating income (expenses) for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022		2021	
<b>Other operating income:</b>				
Gain on sale of loans at amortized cost	₩	-	₩	2,845
Gain on redemption of loans at amortized cost		-		337
Gain on fair value hedged items		3,439,247		1,242,036
Others		19,523		-
Subtotal		3,458,770		1,245,218
<b>Other operating expenses:</b>				
Loss on fair value hedged items		(273,771)		(10,284)
Contribution to miscellaneous funds		(4,598)		(4,751)
Losses on redemption of bonds		-		-
Transfer of other provisions		(64)		(28,922)
Others		(6,861)		(9,947)
Subtotal		(285,294)		(53,904)
<b>Total</b>	<b>₩</b>	<b>3,173,476</b>	<b>₩</b>	<b>1,191,314</b>



### 31. IMPAIRMENT LOSS (REVERSAL) ON CREDIT:

Details of impairment loss (reversal) on credit for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022		2021	
Loans at amortized cost	₩	249,124	₩	491,430
Other financial assets		16,564		(22,356)
Guarantees		197,753		(21,481)
Unused loan commitments		228,630		(1,043)
Financial guarantee contract		(9,963)		(75,587)
Financial assets at FVOCI		317		340
Financial assets at amortized cost		131		51
<b>Total</b>	<b>₩</b>	<b>682,556</b>	<b>₩</b>	<b>371,354</b>

### 32. GENERAL AND ADMINISTRATIVE EXPENSES:

Details of general and administrative expenses for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	Detail	2022		2021	
General and administrative	Short-term salaries	₩	129,677	₩	123,867
Other expenses in financing department	Office expenses		87,285		72,685
	<b>Subtotal</b>		<b>216,962</b>		<b>196,552</b>
Office expenses of EDCF			2,249		1,330
	Retirement benefit (defined contributions)		1,608		2,977
	Retirement benefit (defined benefits)		11,064		20,940
	Special retirement allowance		29		17
General and administrative - Others	Depreciation of tangible assets		10,920		7,844
	Amortization of intangible assets		9,645		10,847
	Taxes and duties		23,734		17,258
	Donations and contributions		1,356		2,000
	<b>Subtotal</b>		<b>58,356</b>		<b>61,883</b>
<b>Total</b>		<b>₩</b>	<b>277,567</b>	<b>₩</b>	<b>259,765</b>

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

## 33. NON-OPERATING INCOME (EXPENSES):

Details of non-operating income (expenses) for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	Detail	2022	2021
Gain (Loss) on investments in associates	Valuation gain on investments in associates	₩ 32,953	₩ 26,292
	Gain on disposal of investments in associates	-	29,662
	Loss on disposal of investments in associates	(103)	(104,294)
	<b>Subtotal</b>	<b>32,850</b>	<b>(48,340)</b>
Other incomes	Gain on disposals of tangible assets	85	119
	Rent income	401	129
	Damages paid for breach of contracts	6	17
	Interest on other loans	134	75
	Revenue on research project	7,965	6,602
	Other miscellaneous income	1,248	503
	<b>Subtotal</b>	<b>9,839</b>	<b>7,445</b>
Other expenses	Loss on disposals of tangible assets	(1)	(51)
	Loss on disposals of intangible assets	(1)	-
	Expenses for contribution	(5,674)	(7,159)
	Court cost	(849)	(1,018)
	Expenses on research project	(6,806)	(6,320)
	Other miscellaneous expenses	(1,760)	(3,630)
<b>Subtotal</b>	<b>(15,091)</b>	<b>(18,178)</b>	
<b>Total</b>		₩ <b>(5,252)</b>	₩ <b>(10,733)</b>

## 34. INCOME TAX EXPENSE:

(1) Details of income tax expenses for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2021	2020
Current income tax payable	₩ 98,134	₩ (6,292)
Adjustment recognized in the current period for tax payable of prior periods	17,322	(74)
Changes in deferred income taxes due to temporary differences	(2,259)	246,933
Changes in deferred income taxes directly reflected in equity	80,001	(29,341)
Income tax expense	₩ 193,198	₩ 211,226

**(2) Changes in temporary differences and deferred income tax assets (liabilities) for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):**

(2022)

Detail	Temporary differences			Deferred tax assets (liabilities) ending balance
	Beginning balance	Increase (Decrease)	Ending balance	
Depreciation	W 112	W 132	W 244	W 57
Fair value hedging income (loss)	144,646	(3,332,977)	(3,188,331)	(739,693)
Financial guarantee contract liability	971,196	(941)	970,255	225,099
Loans	(6,745)	1,073	(5,672)	(1,316)
Allowance for loan losses	457,061	292,556	749,617	173,911
Unused commitment provisions	239,482	227,701	467,183	108,387
Net deferred loan origination fees and costs	368,209	35,252	403,461	93,603
Long-term income in advance	(2,689)	974	(1,715)	(398)
Provisions for acceptances and guarantees	380,983	216,095	597,078	138,522
Loan-for-equity swap	1,234,314	161,881	1,396,195	323,917
Losses on valuation of derivatives	(253,407)	(538,627)	(792,034)	(183,752)
Gains on valuation of derivatives	(94,198)	2,835,806	2,741,608	636,053
Defined benefit liability	(6,492)	(477)	(6,969)	(1,617)
Accrued interest receivables and payables related to swap transaction	(304,990)	(65)	(305,055)	(70,773)
Tangible assets	(175,093)	(912)	(176,005)	(40,833)
Others	1,757,314	(108,317)	1,648,997	382,568
<b>Subtotal</b>	<b>W 4,709,703</b>	<b>W (210,846)</b>	<b>W 4,498,857</b>	<b>W 1,043,735</b>
Deferred income tax assets (liabilities) directly adjusted in equity				(223,038)
<b>Total</b>				<b>W 820,697</b>

(2021)

Detail	Temporary differences			Deferred tax assets (liabilities) ending balance
	Beginning balance	Increase (Decrease)	Ending balance	
Depreciation	W 106	W 6	W 112	W 27
Fair value hedging income (loss)	1,375,588	(1,230,942)	144,646	35,004
Financial guarantee contract liability	1,050,102	(78,906)	971,196	235,030
Loans	(42,621)	35,876	(6,745)	(1,632)
Allowance for loan losses	984,662	(527,601)	457,061	110,609
Unused commitment provisions	239,584	(102)	239,482	57,955
Net deferred loan origination fees and costs	364,854	3,355	368,209	89,107
Long-term income in advance	(2,689)	-	(2,689)	(651)
Provisions for acceptances and guarantees	387,027	(6,044)	380,983	92,198
Loan-for-equity swap	1,176,609	57,705	1,234,314	298,704
Losses on valuation of derivatives	142,212	(395,619)	(253,407)	(61,324)
Gains on valuation of derivatives	(1,352,817)	1,258,619	(94,198)	(22,796)
Defined benefit liability	-	(6,492)	(6,492)	(1,571)
Accrued interest receivables and payables related to swap transaction	(316,122)	11,132	(304,990)	(73,808)
Tangible assets	(173,653)	(1,440)	(175,093)	(42,372)
Others	1,676,612	80,702	1,757,314	425,269
<b>Subtotal</b>	<b>W 5,509,454</b>	<b>W (799,751)</b>	<b>W 4,709,703</b>	<b>W 1,139,749</b>
Deferred income tax assets (liabilities) directly adjusted in equity				(303,040)
<b>Total</b>				<b>W 836,709</b>

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

### (3) Details of the reconciliation between profit before income tax expense and income tax expense for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022		2021	
Profit before income tax expense	₩	608,747	₩	692,948
Income tax calculated at statutory tax rate (11% up to ₩200 million, 22% over ₩200 million to ₩20 billion and 24.2% over ₩20 billion to ₩300 billion, and 27.5% over ₩300 billion)		157,044		180,199
<b>Adjustments:</b>				
Effect on non-taxable income		(2,880)		(27,355)
Effect on non-deductible expense		90		24,412
Effect on tax deduction		(15,256)		-
Others		36,878		34,044
Subtotal		18,832		31,101
Adjustment recognized in the period for current tax of prior periods		17,322		(74)
Income tax expense	₩	193,198	₩	211,226
Effective tax rate from operations		31.74%		30.48%

## 35. CONSOLIDATED STATEMENTS OF CASH FLOWS:

### (1) Details of non-cash flow transactions for the ended December 31, 2022 and 2021 are as follows (Korean won in millions):

	2022		2021	
Written-off	₩	28,405	₩	13,459
Transfer to financial investments from the investments in associates		-		380,520
Loss on valuation of FVOCI financial instruments		290,044		94,584
Remeasurement of net defined benefit obligation		23,879		7,010
Loan-for-equity swap		424,889		463,894

### (2) Changes in liabilities arising from financing activities for the year ended December 31, 2022 and 2021 are as follows (Korean won in millions):

(2022)

Detail	Borrowings		Debentures		Total
Beginning balance	₩	6,288,123	₩	76,486,053	₩ 82,774,176
Change in cash flows		4,437,951		11,607,469	16,045,420
Loss on redemption of bonds		-		-	-
Amortization		-		222,411	222,411
Foreign exchange transaction		327,051		2,645,370	2,972,421
Change in fair value hedged items		-		(3,169,680)	(3,169,680)
Ending balance	₩	11,053,125	₩	87,791,623	₩ 98,844,748

(2021)

Detail	Borrowings		Debentures		Total
Beginning balance	₩	6,562,171	₩	72,641,777	₩ 79,203,948
Change in cash flows		(881,572)		1,586,755	705,183
Loss on redemption of bonds		-		-	-
Amortization		136		118,014	118,150
Foreign exchange transaction		607,388		3,358,595	3,965,983
Change in fair value hedged items		-		(1,219,088)	(1,219,088)
Ending balance	₩	6,288,123	₩	76,486,053	₩ 82,774,176

### 36. CONTINGENT LIABILITIES AND COMMITMENTS:

(1) Details of contingent liabilities and commitments as of December 31, 2022 and 2021 are as follows (Korean won in millions):

Detail		2022		2021	
Guarantees	Confirmed	₩	39,454,117	₩	30,154,939
	Unconfirmed		14,135,339		10,291,188
	<b>Subtotal</b>		<b>53,589,456</b>		<b>40,446,127</b>
Loan commitments	Local currency, foreign currencies loan commitments		31,527,978		29,674,836
	Others		1,216,874		2,608,448
	<b>Subtotal</b>		<b>32,744,852</b>		<b>32,283,284</b>
<b>Total</b>		<b>₩ 86,334,308</b>		<b>₩ 72,729,411</b>	

(2) Details of guarantees that have been provided for others as of December 31, 2022 and 2021 are as follows (Korean won in millions):

Detail		2022		2021	
Confirmed guarantees	Local currency:				
	Performance of contracts	₩	51,149	₩	75,088
	Repayment of advances		65,877		76,183
	Others		36,752		38,741
	<b>Subtotal</b>		<b>153,778</b>		<b>190,012</b>
	Foreign currencies:				
	Performance of contracts		8,141,137		7,214,218
	Repayment of advances		16,386,175		9,117,665
	Acceptances of imported goods		5,726		1,902
	Acceptances of import letter of credit outstanding		65,471		237,980
Foreign liabilities		11,233,647		10,009,389	
Others		3,468,183		3,383,773	
<b>Subtotal</b>		<b>39,300,339</b>		<b>29,964,927</b>	
Unconfirmed guarantees	Performance of contracts		81,825		74,141
	Foreign liabilities		1,686,845		1,040,401
	Repayment of advances		12,246,724		9,047,096
	Import letter of credit issued		38,302		43,274
	Others		81,643		86,276
	<b>Subtotal</b>		<b>14,135,339</b>		<b>10,291,188</b>
<b>Total</b>		<b>₩ 53,589,456</b>		<b>₩ 40,446,127</b>	

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

## (3) Details of guarantees classified by country as of December 31, 2022 and 2021 are as follows (Korean won in millions):

(December 31, 2022)

Detail	Confirmed guarantees		Unconfirmed guarantees		Total		
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	
Korea	₩ 26,084,669	66.11	₩ 12,328,584	87.22	₩ 38,413,253	71.68	
China	139,708	0.35	-	0.00	139,708	0.26	
Saudi Arabia	1,125,810	2.85	-	0.00	1,125,810	2.10	
India	611,203	1.55	-	0.00	611,203	1.14	
Indonesia	761,936	1.93	198,396	1.40	960,332	1.79	
Vietnam	1,426,630	3.62	434,152	3.07	1,860,782	3.47	
Asia	Australia	184,734	0.47	-	0.00	184,734	0.34
	Qatar	202,033	0.51	-	0.00	202,033	0.38
	Singapore	184,201	0.47	-	0.00	184,201	0.34
	Oman	525,228	1.33	5,450	0.04	530,678	0.99
	Uzbekistan	299,939	0.76	-	0.00	299,939	0.56
	Others	2,588,970	6.57	758,273	5.36	3,347,243	6.26
	<b>Subtotal</b>	<b>34,135,061</b>	<b>86.52</b>	<b>13,724,855</b>	<b>97.09</b>	<b>47,859,916</b>	<b>89.31</b>
Europe	United Kingdom	260,841	0.66	119,910	0.85	380,751	0.71
	France	400,919	1.02	-	0.00	400,919	0.75
	Others	2,003,258	5.07	250,021	1.77	2,253,279	4.20
	<b>Subtotal</b>	<b>2,665,018</b>	<b>6.75</b>	<b>369,931</b>	<b>2.62</b>	<b>3,034,949</b>	<b>5.66</b>
America	United States	1,095,214	2.78	16,475	0.12	1,111,689	2.07
	Brazil	418,563	1.06	-	0.00	418,563	0.78
	Mexico	397,367	1.01	-	0.00	397,367	0.74
	Others	420,556	1.06	24,078	0.17	444,634	0.84
	<b>Subtotal</b>	<b>2,331,700</b>	<b>5.91</b>	<b>40,553</b>	<b>0.29</b>	<b>2,372,253</b>	<b>4.43</b>
Africa	Madagascar	93,683	0.24	-	0.00	93,683	0.17
	Others	228,655	0.58	-	0.00	228,655	0.43
	<b>Subtotal</b>	<b>322,338</b>	<b>0.82</b>	<b>-</b>	<b>0.00</b>	<b>322,338</b>	<b>0.60</b>
<b>Total</b>	<b>₩ 39,454,117</b>	<b>100.00</b>	<b>₩ 14,135,339</b>	<b>100.00</b>	<b>₩ 53,589,456</b>	<b>100.00</b>	

(December 31, 2021)

Detail	Confirmed guarantees		Unconfirmed guarantees		Total		
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	
Korea	₩ 18,382,248	60.95	₩ 9,121,271	88.63	₩ 27,503,519	68.00	
China	174,668	0.58	-	-	174,668	0.43	
Saudi Arabia	1,226,580	4.07	-	-	1,226,580	3.03	
India	587,733	1.95	-	-	587,733	1.45	
Indonesia	716,448	2.38	304,695	2.96	1,021,143	2.52	
Vietnam	1,100,647	3.65	432,775	4.21	1,533,422	3.79	
Asia	Australia	207,027	0.69	-	-	207,027	0.51
	Qatar	218,227	0.72	-	-	218,227	0.54
	Singapore	135,956	0.45	-	-	135,956	0.34
	Oman	506,487	1.68	37,498	0.36	543,985	1.34
	Uzbekistan	330,123	1.09	-	-	330,123	0.82
	Others	1,694,809	5.62	134,338	1.31	1,829,147	4.54
	<b>Subtotal</b>	<b>25,280,953</b>	<b>83.83</b>	<b>10,030,577</b>	<b>97.47</b>	<b>35,311,530</b>	<b>87.31</b>
Europe	United Kingdom	144,035	0.48	129,516	1.26	273,551	0.68
	France	249,712	0.83	-	-	249,712	0.62
	Others	1,816,658	6.02	77,274	0.75	1,893,932	4.68
	<b>Subtotal</b>	<b>2,210,405</b>	<b>7.33</b>	<b>206,790</b>	<b>2.01</b>	<b>2,417,195</b>	<b>5.98</b>

Detail	Confirmed guarantees		Unconfirmed guarantees		Total	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
America						
United States	966,069	3.20	13,041	0.12	979,110	2.42
Brazil	400,481	1.33	-	-	400,481	0.99
Mexico	406,125	1.35	-	-	406,125	1.00
Others	509,127	1.69	40,780	0.40	549,907	1.36
<b>Subtotal</b>	<b>2,281,802</b>	<b>7.57</b>	<b>53,821</b>	<b>0.52</b>	<b>2,335,623</b>	<b>5.77</b>
Africa						
Madagascar	87,636	0.28	-	-	87,636	0.22
Others	294,143	0.99	-	-	294,143	0.72
<b>Subtotal</b>	<b>381,779</b>	<b>1.27</b>	<b>-</b>	<b>-</b>	<b>381,779</b>	<b>0.94</b>
<b>Total</b>	<b>₩ 30,154,939</b>	<b>100.00</b>	<b>₩ 10,291,188</b>	<b>100.00</b>	<b>₩ 40,446,127</b>	<b>100.00</b>

**(4) Details of guarantees classified by industry as of December 31, 2022 and 2021 are as follows (Korean won in millions):**

(December 31, 2022)

Detail	Confirmed guarantees		Unconfirmed guarantees		Total	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Manufacturing	₩ 24,241,139	61.44	₩ 13,165,845	93.14	₩ 37,406,984	69.80
Transportation	2,403,519	6.09	43,727	0.31	2,447,246	4.57
Financial institution	867,051	2.20	-	-	867,051	1.62
Wholesale and retail	1,640,149	4.16	41,454	0.29	1,681,603	3.14
Real estate business	33,820	0.09	21,983	0.16	55,803	0.10
Construction	4,314,405	10.94	98,538	0.70	4,412,943	8.23
Public sector and others	5,954,034	15.08	763,792	5.40	6,717,826	12.54
<b>Total</b>	<b>₩ 39,454,117</b>	<b>100.00</b>	<b>₩ 14,135,339</b>	<b>100.00</b>	<b>₩ 53,589,456</b>	<b>100.00</b>

(December 31, 2021)

Detail	Confirmed guarantees		Unconfirmed guarantees		Total	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Manufacturing	₩ 15,781,920	52.34	₩ 9,067,837	88.11	₩ 24,849,757	61.43
Transportation	2,226,005	7.38	-	-	2,226,005	5.50
Financial institution	904,287	3.00	-	-	904,287	2.24
Wholesale and retail	734,150	2.43	43,915	0.43	778,065	1.92
Real estate business	42,563	0.14	48,556	0.47	91,119	0.23
Construction	5,250,974	17.41	78,278	0.76	5,329,252	13.18
Public sector and others	5,215,040	17.30	1,052,602	10.23	6,267,642	15.50
<b>Total</b>	<b>₩ 30,154,939</b>	<b>100.00</b>	<b>₩ 10,291,188</b>	<b>100.00</b>	<b>₩ 40,446,127</b>	<b>100.00</b>

**(5) Global Medium-Term Note Program and 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 60 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 6 billion and USD 2 billion, respectively.

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

- 3) Established on November 6, 1997, initially, and annually renewed, Global Medium-Term Note Program to issue mid-to-long-term foreign currencies bonds with an issuance limit of USD 32.5 billion.
- 4) Established in 1995, initially, and every other yearly renewed, Yen Shelf Registration to issue Samurai bond with an issuance limit of JPY 500 billion.
- 5) Established on May 31, 2010, Australian Domestic Debt Issuance Program to issue Kangaroo bond with limit of AUD 6 billion.
- 6) Established on January 17, 2011, and renewed every two years, Uridashi Shelf Registration to issue Uridashi bond with an issuance limit of JPY 500 billion.

## **(6) Litigations**

As of December 31, 2022, 7 lawsuits (aggregated claim amount: ₩71,610 million) were filed as a plaintiff and 5 pending litigations as a defendant were filed (aggregated claim amount: ₩28,676 million). The Consolidated Entity's management expects that there is no significant impact on the financial statements due to these lawsuits, but it is possible to make additional loss to the Consolidated Entity due to the results of future litigation.

## **(7) Written-off loans**

The Consolidated Entity manages written-off loans that have claims on debtors due to the statute of limitations, uncollected after write-off, etc. The written-off loans as of December 31, 2022 and 2021 are ₩2,067,309 million and ₩2,066,396 million, respectively.

## **(8) COVID-19**

The proliferation of COVID-19 has had a negative impact on the global economy, which may have a greater impact than the expected credit loss and potential impairment of assets in a particular portfolio, negatively impacting the profit generation capability of the Consolidated Entity as follows:

- Uncertainty may arise about the credit risk of a borrower that could be affected by COVID-19.
- Uncertainty may arise about forward-looking macroeconomic information related to expected credit losses.
- Korean won may depreciate against major foreign currencies. This may result in an increase in principal and interest payments on liabilities denominated in foreign currencies, and losses on foreign exchange transactions.
- Possible significant decrease in the fair value of an entity affected by COVID-19 pandemic, in which the Consolidated Entity invested, may occur.

**(9) Related to Ukraine crisis occurred in February 2022, international sanctions are being imposed to Russia. The sanctions may affect companies, industries, or economies which do business directly or indirectly with Russia, but the impact on the Consolidated Entity's financial position and operation has yet to be observed. The Consolidated Entity consistently monitors and controls the effects of Ukraine crisis.**



### 37. TRANSACTIONS AND BALANCES WITH RELATED PARTIES:

Related parties consist of entities related to the Consolidated Entity, postemployment 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, 2022 are as follows:

Detail	Relationship	Percentage (%)
<b>Parent:</b>		
Korean government	Parent	68.80
<b>Associates:</b>		
Credit Guarantee and Investment Fund	Associate	14.92
KTB Newlake Global Healthcare PEF	Associate	25.00
Korea Aerospace Industries Ltd.	Associate	26.41
Daewoo Shipbuilding & Marine Engineering Co., Ltd	Associate	-
KB-Badgers Future Mobility ESG Fund I	Associate	22.73

#### (2) Receivables and payables between the Consolidated Entity and related parties

1) Receivables and payables between the Consolidated Entity and related parties as of December 31, 2022 and 2021 are as follows (Korean won in millions):

(December 31, 2022)

Detail	Receivables	Allowance / Provisions	Payables
<b>Associates:</b>			
Daewoo Shipbuilding & Marine Engineering Co., Ltd.	₩ 2,520,986	₩ 1,247,570	₩ -
Korea Aerospace Industries Ltd.	-	1,444	-
<b>Total</b>	<b>₩ 2,520,986</b>	<b>₩ 1,249,014</b>	<b>₩ -</b>

(December 31, 2021)

Detail	Receivables	Allowance / Provisions	Payables
<b>Associates:</b>			
Daewoo Shipbuilding & Marine Engineering Co., Ltd.	₩ 2,524,098	₩ 433,756	₩ -

2) Guarantees provided to the related parties as of December 31, 2022 and 2021 are as follows (Korean won in millions):

(December 31, 2022)

Detail	Confirmed guarantees	Unconfirmed guarantees	Loans commitments	Other commitments
<b>Associates:</b>				
Daewoo Shipbuilding & Marine Engineering Co., Ltd.	₩ 4,826,783	₩ 4,128,813	₩ 1,450,000	₩ 140,549
Korea Aerospace Industries Ltd.	1,377,023	-	-	-
<b>Total</b>	<b>₩ 6,203,806</b>	<b>₩ 4,128,813</b>	<b>₩ 1,450,000</b>	<b>₩ 140,549</b>

(December 31, 2021)

Detail	Confirmed guarantees	Unconfirmed guarantees	Loans commitments	Other commitments
<b>Associates:</b>				
Daewoo Shipbuilding & Marine Engineering Co., Ltd.	₩ 2,822,425	₩ 2,379,492	₩ 1,450,000	₩ 1,665,958

# Notes to the Consolidated Financial Statements (Continued)

THE EXPORT-IMPORT BANK OF KOREA AND ITS SUBSIDIARIES  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

### (3) Profit and loss transactions with related parties

Profit and loss transactions with related parties for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

(2022)

Detail	Revenue	Bad debt expenses	Expenses
<b>Associates:</b>			
Daewoo Shipbuilding & Marine Engineering Co., Ltd.	₩ 63,339	₩ 595,586	₩ -
Korea Aerospace Industries Ltd.	1,291	1,444	-
<b>Total</b>	<b>₩ 64,630</b>	<b>₩ 597,030</b>	<b>₩ -</b>

(2021)

Detail	Revenue	Bad debt expenses	Expenses
<b>Associates:</b>			
DAESUN Shipbuilding & Engineering Co., Ltd. (*1)	₩ 6,489	₩ (114,648)	₩ 228
Daewoo Shipbuilding & Marine Engineering Co., Ltd.	50,092	45,260	-
<b>Total</b>	<b>₩ 56,581</b>	<b>₩ (69,388)</b>	<b>₩ 228</b>

(\*1) Profit and loss transactions before being excluded from the related parties for the year ended December 31, 2021.

### (4) Loan transactions with related parties

Loan transactions with related parties for the years ended December 31, 2022 and 2021 are as follows (Korean won in millions):

(2022)

Detail	Financing transaction	
	Loan	Collection
<b>Associates:</b>		
Daewoo Shipbuilding & Marine Engineering Co., Ltd.	₩ -	₩ 1,519

(2021)

Detail	Financing transaction	
	Loan	Collection
<b>Associates:</b>		
DAESUN Shipbuilding & Engineering Co., Ltd. (*1)	₩ 84,259	₩ 506,111

(\*1) Loan transactions before being excluded from the related parties for the year ended December 31, 2021.

**(5) Details of compensation for key executives for the years ended the ended December 31, 2022 and 2021 are as follows (Korean won in millions):**

Detail	2022		2021	
Short-term employee benefits	W	3,307	W	3,562
Retirement benefits		258		404
<b>Total</b>	<b>W</b>	<b>3,565</b>	<b>W</b>	<b>3,966</b>

### 38. APPROVAL OF FINANCIAL STATEMENTS:

The consolidated financial statements of the Consolidated Entity were approved by board of directors on March 24, 2023 and were finally approved by the Operations Committee on March 29, 2023.

# Independent Auditor's Report

## **The Board of Directors and shareholders of The Export-Import Bank of Korea:**

### **Opinion**

We have audited the accompanying separate financial statements of the Export-Import Bank of Korea (the "Bank"), which comprise the separate statements of financial position as of December 31, 2022 and 2021, the separate statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Bank as of December 31, 2022 and 2021, and its separate financial performance and its separate cash flows for the years then ended in accordance with Korean International Financial Reporting Standards ("KIFRS").

### **Basis for Opinion**

We conducted our audits in accordance with Korean Standards on Auditing (KSAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the separate financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other Matter**

The procedures and practices utilized in the Republic of Korea to audit such separate financial statements may differ from those generally accepted and applied in other countries.

### **Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements**

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with K-IFRS, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

### **Auditors' Responsibilities for the Audit of the Separate Financial Statements**

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with KSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with KSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used in the preparation of the separate financial statements and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Samjong Accounting Corp.  
Seoul, Korea  
March 31, 2023

This report is effective as of March 31, 2023, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

# Separate Financial Statements

## Separate Statements of Financial Position

THE EXPORT-IMPORT BANK OF KOREA  
AS OF DECEMBER 31, 2022 AND 2021

(Unit : Korean won in millions)

	December 31, 2022		December 31, 2021	
<b>ASSETS:</b>				
<b>Cash and due from financial institutions (Notes 4, 5 and 7)</b>	₩	9,931,012	₩	4,462,685
Financial assets at fair value through profit or loss ("FVTPL") (Notes 4, 5, 8 and 20)		4,172,754		2,598,204
Hedging derivative assets (Notes 4, 5 and 20)		329,210		561,911
Loans at amortized cost (Notes 4, 5, 10 and 37)		89,300,057		77,458,119
Financial investments (Notes 4, 5 and 9)		13,363,826		12,745,359
Investments in associates and subsidiaries (Note 11)		1,935,869		1,565,153
Tangible assets, net (Note 12)		273,003		270,367
Intangible assets, net (Note 13)		42,813		34,452
Deferred tax assets (Note 34)		867,269		875,099
Retirement benefit assets, net (Note 18)		45,142		13,605
Other assets (Notes 4, 5, 14 and 37)		1,808,995		866,698
	₩	122,069,950	₩	101,451,652

(Unit : Korean won in millions)

	December 31, 2022		December 31, 2021	
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>LIABILITIES:</b>				
Financial liabilities at FVTPL (Notes 4, 5 and 20)	₩	2,513,487	₩	768,115
Hedging derivative liabilities (Notes 4, 5 and 20)		2,356,908		661,057
Borrowings (Notes 4, 5 and 15)		10,112,740		5,576,909
Debentures (Notes 4, 5 and 16)		87,791,623		76,486,053
Provisions (Note 17)		1,092,435		621,467
Other liabilities (Notes 4, 5, 19 and 37)		2,767,208		1,985,120
		106,634,401		86,098,721
<b>STOCKHOLDERS' EQUITY:</b>				
Capital stock (Note 1 and 21)		12,773,254		12,748,254
Capital adjustments		(133,840)		(133,716)
Other components of equity (Notes 20 and 22)		744,756		882,669
Retained earnings (Note 23) (Regulatory reserve for loan losses as of December 31, 2022 and 2021: ₩239,710 million and ₩149,219 million)		2,051,379		1,855,724
		15,435,549		15,352,931
	₩	122,069,950	₩	101,451,652

# Separate Financial Statements (Continued)

## Separate Statements of Comprehensive Income

THE EXPORT-IMPORT BANK OF KOREA

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Unit : Korean won in millions)

	2022	2021
<b>OPERATING INCOME:</b>		
<b>Net interest income (Notes 24 and 37):</b>		
Interest income	₩ 3,070,500	₩ 1,745,510
Interest expenses	(2,118,108)	(841,107)
	952,392	904,403
<b>Net commission income (Notes 25 and 37):</b>		
Commission income	362,932	309,947
Commission expenses	(26,194)	(21,105)
	336,738	288,842
<b>Dividend income (Note 26)</b>	60,627	49,889
<b>Net gain (loss) on financial assets at FVTPL (Note 27)</b>	(305,507)	126,987
<b>Net gain (loss) on hedging derivative assets (Notes 20 and 28)</b>	(3,223,739)	(1,556,271)
<b>Net gain (loss) on financial investments (Note 29)</b>	(47)	3,381
<b>Net gain (loss) on foreign exchange transaction</b>	514,938	355,702
<b>Net other operating income (expenses) (Note 30)</b>	3,173,480	1,191,183
<b>Reversal of (Additional) impairment loss on credit (Note 31 and 37)</b>	(677,995)	(368,469)
<b>General and administrative expenses (Note 32)</b>	(261,423)	(252,846)
<b>Total operating income</b>	569,464	742,801
<b>NON-OPERATING INCOME (Note 33):</b>		
Net gain (loss) on investments in associates and subsidiaries	5,545	10,931
Net other non-operating income (expenses)	(4,143)	(7,608)
	1,402	3,323
<b>PROFIT BEFORE INCOME TAX</b>	570,866	746,124
<b>INCOME TAX EXPENSES (Note 34)</b>	(183,955)	(198,585)
<b>PROFIT FOR THE YEAR</b>	386,911	547,539
(Profit for the year adjusted for regulatory reserve for loan losses for the years ended December 31, 2022 and 2021: ₩351,001 million and ₩457,048 million) (Note 23)		
<b>OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR (Note 22)</b>		
<b>Items not reclassified subsequently to profit or loss:</b>		
Net gain (loss) on equity securities at FVOCI	37,176	91,968
Remeasurement of net defined benefit liabilities	23,879	9,248
Income tax effect	(2,878)	(24,495)
<b>Items that are or may be reclassified subsequently to profit or loss:</b>		
Net gain (loss) on debt securities at FVOCI	(302,298)	(442)
Net gain (loss) on valuation of cash flow hedge	46,612	3,913
Income tax effect	59,596	(840)
	(137,913)	79,352
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	₩ 248,998	₩ 626,891



## Separate Statements of Changes in Equity

THE EXPORT-IMPORT BANK OF KOREA  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Unit : Korean won in millions)

	Capital stock	Capital adjustments	Other components of equity				Retained earnings	Total
			Gain (loss) on valuation of financial assets at FVOCI	Gain (loss) on valuation of cashflow hedge	Remeasurement, net of defined benefit liabilities	Gain (loss) on disposal of financial assets at FVOCI		
January 1, 2021	₩ 12,449,456	₩ (132,271)	₩ 853,563	₩ 3	₩ 11,855	₩ (62,104)	₩ 1,348,944	₩ 14,469,446
Payment of dividends	-	-	-	-	-	-	(40,759)	(40,759)
Paid-in Capital Increase	298,798	(1,445)	-	-	-	-	-	297,353
Total comprehensive Income								626,891
Profit for the year	-	-	-	-	-	-	547,539	547,539
Other comprehensive income (loss):								79,352
Net loss on valuation of financial assets at FVOCI, net of tax	-	-	77,213	-	-	-	-	77,213
Net loss on valuation of cash flow hedge, net of tax	-	-	-	2,965	-	-	-	2,965
Remeasurement elements of defined benefit plans, net of tax	-	-	-	-	7,010	-	-	7,010
Net loss on disposal of financial assets at FVOCI, net of tax	-	-	-	-	-	(7,836)	-	(7,836)
<b>December 31, 2021</b>	<b>₩ 12,748,254</b>	<b>₩ (133,716)</b>	<b>₩ 930,776</b>	<b>₩ 2,968</b>	<b>₩ 18,865</b>	<b>₩ (69,940)</b>	<b>₩ 1,855,724</b>	<b>₩ 15,352,931</b>
January 1, 2022	₩ 12,748,254	₩ (133,716)	₩ 930,776	₩ 2,968	₩ 18,865	₩ (69,940)	₩ 1,855,724	₩ 15,352,931
Payment of dividends	-	-	-	-	-	-	(191,256)	(191,256)
Paid-in Capital Increase	25,000	(124)	-	-	-	-	-	24,876
Total comprehensive Income								248,998
Profit for the year	-	-	-	-	-	-	386,911	386,911
Other comprehensive income (loss):								(137,913)
Net loss on valuation of financial assets at FVOCI, net of tax	-	-	(268,456)	-	-	-	-	(268,456)
Net loss on valuation of cash flow hedge, net of tax	-	-	-	35,837	-	-	-	35,837
Remeasurement elements of defined benefit plans, net of tax	-	-	-	-	18,589	-	-	18,589
Net loss on disposal of financial assets at FVOCI, net of tax	-	-	-	-	-	76,117	-	76,117
<b>December 31, 2022</b>	<b>₩ 12,773,254</b>	<b>₩ (133,840)</b>	<b>₩ 662,320</b>	<b>₩ 38,805</b>	<b>₩ 37,454</b>	<b>₩ 6,177</b>	<b>₩ 2,051,379</b>	<b>₩ 15,435,549</b>

# Separate Financial Statements (Continued)

## Separate Statements of Cash Flows

THE EXPORT-IMPORT BANK OF KOREA

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

(Unit : Korean won in millions)


	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
<b>Profit for the year</b>	W 386,911	W 547,539
<b>Adjustments for:</b>		
Income tax expense	183,954	198,585
Interest income	(3,070,500)	(1,745,510)
Interest expenses	2,118,108	841,107
Dividend and distribution income	(80,566)	(65,705)
Dividend received from subsidiaries and associates	(5,545)	(10,931)
Loss on financial assets at FVTPL	16,362	12,951
Loss on financial assets at FVOCI	144	-
Transfer to derivatives' credit risk provision	5,982	13,863
Loss on foreign exchange transactions	1,922,433	1,020,030
Impairment loss on credit	677,995	368,469
Loss on fair value hedged items	273,771	10,284
Depreciation and amortization	18,674	17,814
Loss on disposals of tangible, intangible and other assets	3	51
Loss on valuation of derivative assets for trading	2,330,999	996,182
Loss on valuation of derivative assets for hedging	2,324,297	1,248,226
Increase in other provisions	60	-
Retirement benefits	11,064	20,940
Gain on financial assets at FVTPL	(36,319)	(19,351)
Gain on financial assets at FVOCI	(97)	(3,381)
Reversal of derivatives' credit risk provision	(17,165)	(11,958)
Gain on foreign exchange transactions	(2,437,371)	(1,376,405)
Gain on fair value hedged items	(3,439,246)	(1,242,036)
Gain on valuation of derivative assets for trading	(1,567,207)	(856,142)
Gain on valuation of derivative assets for hedging	(297,788)	(32,458)
Gain on disposals of tangible, intangible and other assets	(86)	(119)
	(1,068,044)	(615,494)
<b>Changes in operating assets and liabilities:</b>		
Due from financial institutions	(3,865,143)	(352,285)
Financial assets and liabilities at FVTPL	(533,003)	774,772
Hedging derivative net assets	(79,832)	(31,913)
Loans at amortized cost	(8,988,823)	(55,232)
Other assets	(935,202)	(18,940)
Provisions	40,231	(399,031)
Payment of retirement benefits	(18,721)	(20,497)
Other liabilities	377,869	(624,198)
	(14,002,624)	(727,324)

THE EXPORT-IMPORT BANK OF KOREA  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021


(Unit : Korean won in millions)

	2022		2021	
<b>Payment of income tax</b>	₩	(10,322)	₩	(1,560)
<b>Interest received</b>		2,781,824		1,675,762
<b>Interest paid</b>		(1,621,718)		(698,358)
<b>Dividend received</b>		86,111		76,636
<b>Net cash provided by (used in) operating activities</b>		(13,447,862)		257,201
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Disposal of financial investments	₩	1,539,545	₩	1,292,634
Disposal of investments in associates and subsidiaries		2,981		-
Disposal of tangible assets		161		44
Acquisition of financial investments		(1,977,923)		(2,350,334)
Acquisition of investments in associates and subsidiaries		(373,697)		(26,461)
Acquisition of tangible assets		(11,783)		(14,021)
Acquisition of intangible assets		(17,966)		(17,128)
Net cash used in investing activities		(838,682)		(1,115,266)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Increase in call money		-		774,120
Proceeds from borrowings		11,683,576		3,521,006
Proceeds from debentures		20,853,080		15,724,020
Paid-in capital increase		25,000		298,798
Increase in deposits		2		192
Decrease in call money		(752,829)		-
Repayment of borrowings		(6,700,287)		(5,300,930)
Repayment of debentures		(9,245,611)		(14,138,292)
Expense related to paid-in capital increases		(124)		(1,445)
Payment of dividends		(191,255)		(40,759)
Decrease in deposits		(2)		-
Net cash provided by financing activities		15,671,550		836,710
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		1,385,006		(21,355)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR		3,146,957		3,071,235
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS IN FOREIGN CURRENCIES		249,994		97,077
CASH AND CASH EQUIVALENTS, END OF THE YEAR (Note 7 and 35)	₩	4,781,957	₩	3,146,957

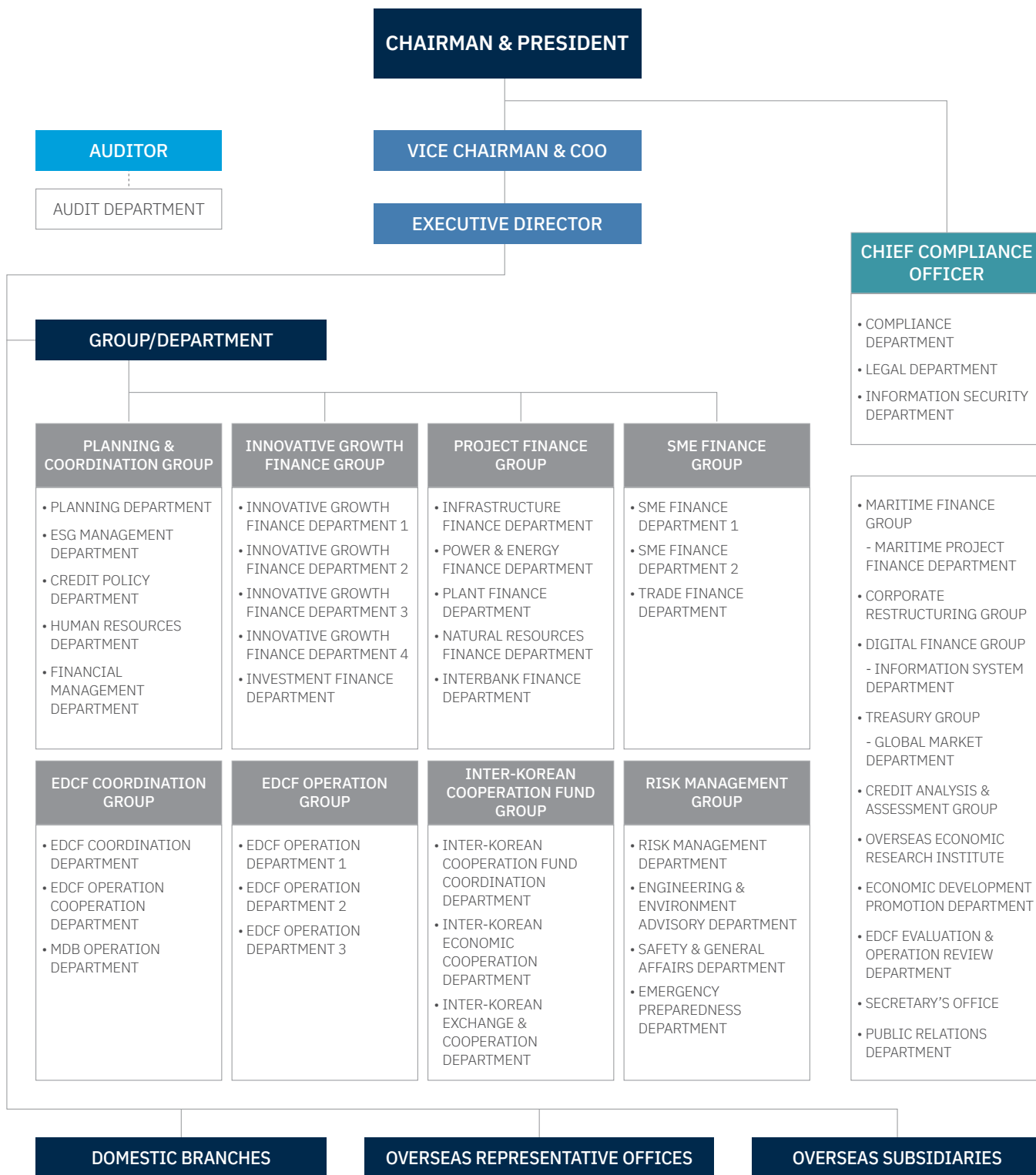
# APPENDIX



Organization Chart .....	190
Head Office and Domestic Branches .....	191
Overseas Network .....	192



# Organization Chart



# Head Office and Domestic Branches

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 Facsimile: (82-2) 784-1030  
 SWIFT : EXIKKRSE  
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 Telephone: (82-51) 922-8835  
 Facsimile: (82-51) 922-8849  
 Website: www.mfcenter.or.kr

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 Jungang-daero, Seongsan-gu, Changwon  
 51430  
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 Fax: (82-55) 287-6831  
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### DAEJEON BRANCH

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### CHEONGJU BRANCH

6th Fl. Small & Medium Business Center 50  
 Pungsan-ro, Heungduk-gu, Cheongju 28399  
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### INCHEON BRANCH

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 Incheon 21556  
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### SUWON BRANCH

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 Accelerator 107 Gwanggyo-ro, Yeongtong-gu,  
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 E-mail: gumi@koreaexim.go.kr

### YEOSU OFFICE

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# Overseas Network

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# Task Force on Climate-related Financial Disclosures



## Introduction

Korea Eximbank, an official export credit agency in Korea, has served an integral role in supporting Korea’s foreign trade and overseas investments. The Bank faces additional tasks at a policy crossroads, with a mounting obligation to respond to a global paradigm shift toward sustainable business that incorporates sustainability principles at the economic, environmental, and social levels. As the change accelerates, the Korean government has declared a national goal to reach carbon neutrality by 2050. In line with national directives, the Korea Eximbank has also acknowledged climate change as a business priority; it has begun taking proactive steps to integrate greenhouse gas reduction goals in its day-to-day operations to promote sustainability side-by-side with its historical priority on economic growth and development.

Climate change poses a wide range of risks to businesses, including physical risks from extreme weather events, and transition risks from the shift to a low-carbon economy. In this new paradigm, Korea Eximbank acknowledges that it is increasingly important to take climate change risk into consideration in its own business and place climate risk center front in business analysis. By taking preemptive measures toward this paradigm shift, the Bank expects to not only better understand and manage climate change impact, but also position itself for success in a rapidly changing and increasingly environmentally conscious business environment.

### The Four Pillars of the TCFD



In May 2021, Korea Eximbank laid the groundwork in the fight against climate change with a declaration to support TCFD, a leading global initiative that provides recommendations on the how-to of disclosing information about risks and opportunities related to climate change. By declaring support for the TCFD, Korea Eximbank has effectively signaled to the market that it is committed to transparency and consistency in reporting on climate risks, a change that should build credibility with stakeholders. The Bank will publish its first TCFD report in 2023; per TCFD guidelines, the initial report will highlight a comprehensive plan to incorporate climate change risk systems into the Bank’s business, both short and mid-long term. The four key elements of the TCFD guidelines are governance, strategy, risk management, metrics and target.

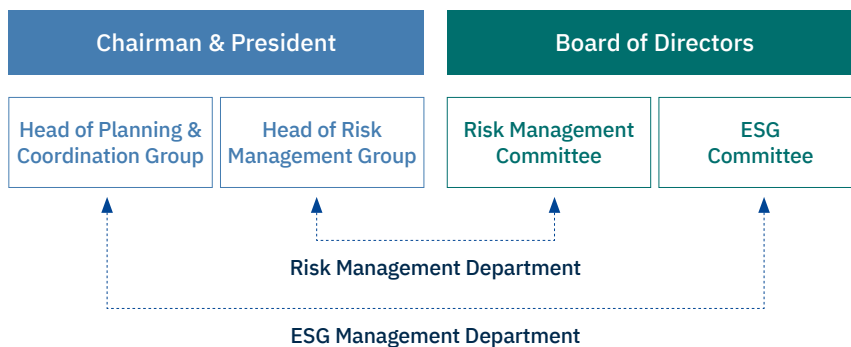
## Governance

Korea Eximbank is committed to promoting ESG values such as climate change through a solid ESG organizational structure. The bank acknowledges that resilient governance related to ESG policy implementation in the business is important to raise accountability and awareness in its ESG management. In that sense, in July 2021, Korea Eximbank created an organization specifically dedicated to promoting ESG management. The ESG Management Department, as set out in the Bank's ESG Roadmap, provides oversight on the Bank's ESG policy, monitors ESG trends and regulatory developments, and reflects this expertise in the Bank's operations.

The Risk Management Department controls a comprehensive range of risks arising from the Bank's business and takes preemptive measures to manage the bank from a business continuity perspective. The Bank continues to strive to enhance its risk management capability through measures such as embedding climate risk into its risk management system, a move that has drawn significant interest across Risk Management Department.

## Risk Management Department

### Organization Structure for Climate Risk



## Board of Directors and Subcommittees

The Board of Directors at Korea Eximbank is the Bank's supervisory body and ensures that the Bank operates in a manner that is consistent with its mission, values, and regulations. Within the Board of Directors, the ESG Committee and Risk Management Committee share issues related to climate change.

The ESG Committee serves as the core control tower of sustainable business management of the Bank and monitors the progress for major strategies related to ESG activities. The ESG Committee convenes at least twice a year to deliberate and approve agendas such as ESG action plans.

The Risk Management Committee is responsible for overseeing the bank's risk management policies and processes, which have the common goal of minimizing the bank's exposure to various types of risk. Working-level teams at Korea Eximbank plan to report regularly to the Risk Management Committee with insights such as the results of stress test exercises and exposure trends in carbon-intensive industries.

## Climate Change Organization

Board of Directors	Members	One president, one vice president, one executive director, four non-executive directors,
	Function	Oversee and determine the overall direction and strategy of the business
ESG Committee	Members	Two non-executive directors, the chairman, three external advisors
	Function	Determine and supervise mid to long-term ESG management strategies and performance
Risk Management Committee	Members	One executive director, two non-executive directors
	Function	Build systems and design policies related to risk management

To internalize ESG values throughout the institution, including at overseas subsidiaries, the Bank established the ESG Working Council in 2022. The ESG Working Council is comprised of representatives from the headquarter and CEOs from the Bank's overseas subsidiaries, who convene on a regular basis to exchange information on ESG strategies, objectives, and critical issues pertaining to ESG management.

## Strategy

### ESG Roadmap and Climate Risk

As specified in the ESG Management section of the 2022 Annual Report, Korea Eximbank has set 2021 as the base year for the ESG Management Strategy to reinforce internal ESG management and promote ESG values. The ESG Roadmap was set up as a core component of the ESG Management Strategy to incorporate ESG principles in the Bank's business management processes. According to the Roadmap, building ESG competency in business management, including developing a climate risk management plan, will be the Bank's area of focus for 2023.



## Guidelines on Financial Risk Due to Climate Change

Risks related to climate change can undermine the soundness of the financial industry and increase uncertainty in financial markets. As such, financial authorities at both home and abroad are developing management, supervisory measures against the risks caused by climate change and transition into a low-carbon society. Locally, the Korean Financial Supervisory Service introduced guidelines in December 2021 on the management of climate risks in the financial sector, detailing areas such as business strategy and disclosure. At a global level, the Basel Committee on Banking Supervision in June 2022 issued principles for the effective management and supervision of climate-related financial risks, aiming to promote a principles-based approach to both banks' risk management and supervisors' practices. Considering such growing requirements on climate risk and potential for systemic risk implications, the Bank put emphasis on enhancing climate change preparedness.

## Preparing a Climate Risk Management Framework

In 2022, Korea Eximbank with its external advisors focused on developing a Climate Risk Management Framework that can enable the bank to not only identify and mitigate potential vulnerabilities, but also help it prepare for regulatory requirements related to climate change.

Korea Eximbank took a two-track approach to developing the Climate Risk Management Framework, aiming to group the analysis by impact materiality and financial materiality. Impact materiality refers to the potential impact to climate risks resulting from the Bank's operations, which mainly revolve around providing financial support to export and import transactions. Impact materiality assessments would help the Bank to understand the potential consequences of its business and identify strategies for mitigating these risks, ultimately seeking ways to reach net zero. Impact materiality can be managed by monitoring carbon emission generating from scope 1, 2 and 3 and developing strategies to encourage the clients to participate in green business.

Financial materiality, on the other hand, shows how the climate change and regulatory reforms can impact the Bank's value. Financial materiality assessments allow the Bank to uncover the potential financial implications of climate risks and to adequately disclose these risks. Financial materiality can be managed by using various stress test scenarios to evaluate climate risk and keeping current with developments in the legal and political changes that dictate disclosure requirements.

### Climate Risk Management Framework



## Climate Risk Implementation Roadmap

Climate risk management involves the analysis and interpretation of extensive data sets; it is heavily dependent on access to accurate resources, strong data management capability, and consistency in regulatory guidelines. Korea Eximbank plans to implement its Climate Risk Management Framework in three phases, split across the short, medium, and long term. The initial stage will focus on upgrading climate risk management systems and enhancing data quality as well as aligning management practice with relevant regulations. By starting with a solid foundation, the Bank expects to prepare more effectively for subsequent phases of the Framework rollout. Priorities in the later phases relate to setting Scope 3 targets, with a specific emphasis on carbon-intensive sectors, and developing corresponding strategies to achieve these objectives.

## Climate Risk Management Roadmap



## Considering Green Transition in the Portfolio

Incorporating climate risk throughout the business cycle is an area of focus at Korea Eximbank. In December 2020, the Bank permanently suspended all new financing commitments for overseas coal-fired plants, a decision made as an initial step to reduce greenhouse gas emissions in Scope 3. Also, Korea Eximbank plans to expand support for items such as highly fuel-efficient and eco-friendly vessels, rechargeable batteries, and renewable energy, contributing to the advancement of green industries as well as the global growth of Korea corporations in green business universe. To this end, Korea Eximbank has introduced ESG Financing Programs which include providing preferential terms to companies engaged in carbon emission reduction activities. The Bank plans to provide KRW 180 trillion in ESG financing by 2030 through ESG Financing Programs.

Transition is also underway in the Bank's capital raising activities. Korea Eximbank has been issuing ESG bonds since 2013, proceeds from which are used to support companies venturing into green industries. The Bank plans to expand ESG bond issuance up to USD 20 billion by 2030 to provide sufficient financial assistance to ESG-related sectors, thereby creating environmental and social value. In September 2021, the Bank established a Sustainable Finance Framework to meet increasing global policy interest in ESG. This new Framework covers the Bank's plans on how it intends to carry out sustainable finance transactions to contribute to a more sustainable future and resilient growth.

## Risk Management

### Groundwork for Climate Risk Management

Climate risk can be divided into physical risk and transition risk. Physical risk refers to the negative impact resulting from both long-term factors such as sea level rises or chronic heat waves and short-term, transient factors such as typhoons or floods. Transition risk refers to the risk of business deterioration that occurs in the process of transitioning to a low-carbon economy such as policy and legal action, technology changes, market responses, and reputational considerations. Korea Eximbank is equipping itself to understand how climate change may influence the assets it manages and integrate these risks into its risk management system.

The first step in addressing climate risk as a business issue is identifying and measuring the financed emissions. In this regard, the Bank is developing methodologies based on Partnership for Carbon Accounting Financials (PCAF) and GHG Protocol to calculate greenhouse gas emissions from its project portfolio. Implementing more intricate methodologies will enable the Bank to control the accuracy and reliability of the calculations in line with international standards and to periodically monitor the carbon footprint and intensity of the Bank's assets.

Also, the Bank is working to define the taxonomy of carbon-intensive industries, which is to identify the companies and industries that are most likely to be affected by climate change as well as those that may face significant regulatory and financial risks in the future. Carbon-intensive industries will be defined subject to close monitoring, keeping in mind factors such as the Bank's financial exposure, GHG financed emissions, government policy, and global benchmarks. Carbon-intensive industries are expected to undergo year-round monitoring, and will be reviewed and updated on a regular basis.

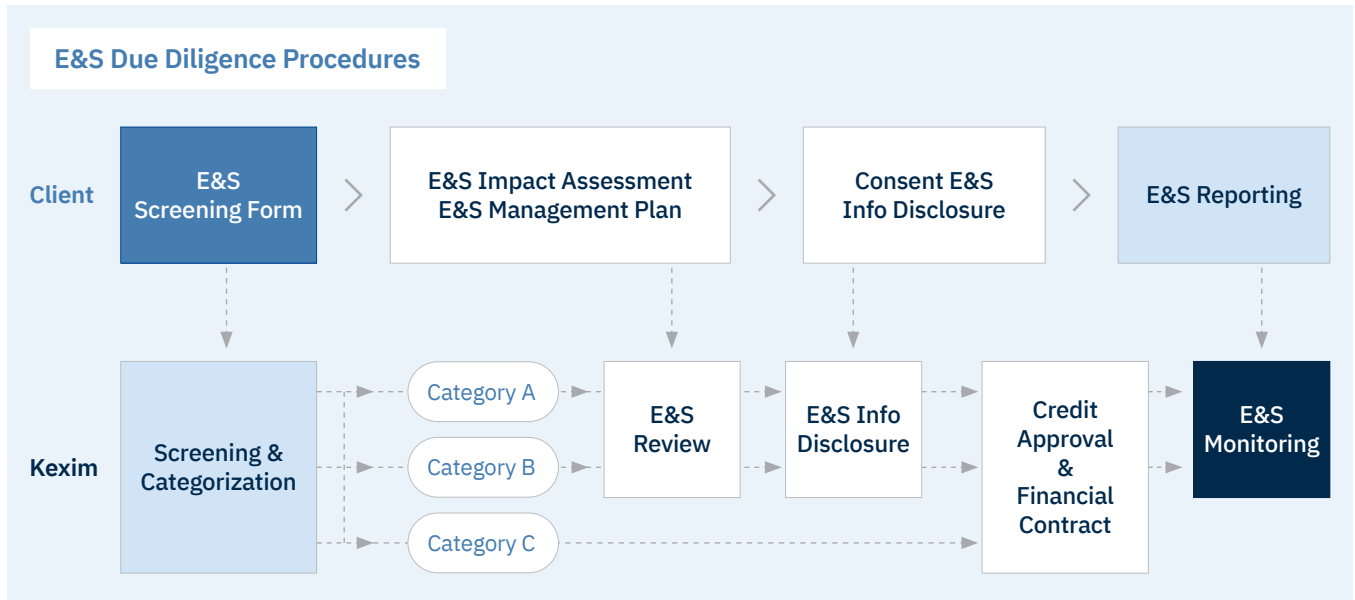
Finally, the Bank plans to carry out portfolio stress testing per the guidelines suggested by financial regulatory bodies such as the Financial Supervisory Service and the Bank of Korea; these local guidelines are also consistent with those of Network of Central Banks and Supervisors for Greening the Financial System (NGFS). Scenario analysis will be performed to identify the medium- to long-term impact of climate change on the Bank's portfolio and presented to the Risk Management Committee on a yearly basis.

### Environmental and Social Due Diligence

At the transaction level, the Bank's climate-related risk management measures are also integrated into its environmental and social due diligence process. Because the Bank provides financial support to Korean corporations participating in medium- to long-term overseas projects which inherently accompany some environmental and social impact, it offers the exporters, sponsors, and borrowers guidelines on which to base their assessment of project-level environmental and social impact and preparation of individual mitigatory measures. Moreover, the Bank remains a partner throughout the course of these projects, staying to conduct ex-post monitoring on such projects.



The Bank’s Environmental and Social Due Diligence is based on the Common Approaches for Officially Supported Export Credit and Environmental and Social Due Diligence (“OECD Common Approaches”), a set of recommendations supported by the export credit agencies of OECD member countries. Korea Eximbank has applied the OECD Common Approaches to its eligible projects since 2004, one year after the OECD Common Approaches went into effect.



## Metrics and Targets

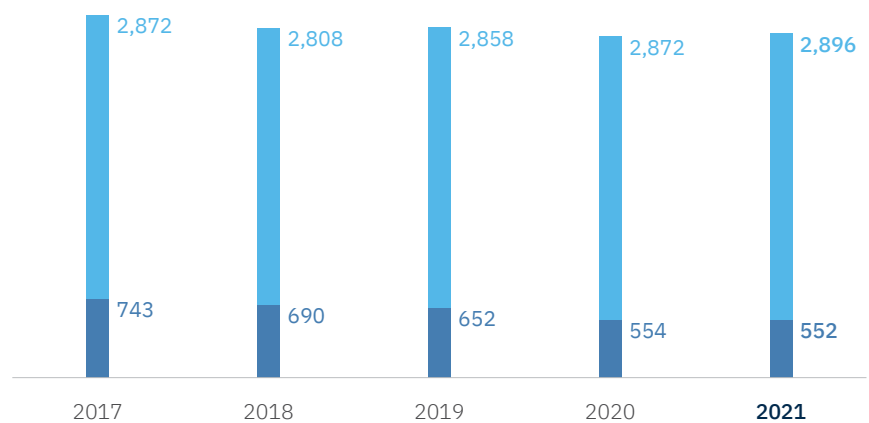
### Reducing Scope 1 & 2 Emissions

To achieve long-term goals for a climate-resilient economy, Korea Eximbank has begun monitoring of operational GHG emissions from Scope 1 & Scope 2 pursuant to Article 26 of the Framework Act on Carbon Neutrality and Green Growth to Cope with Climate Crisis.

### Carbon Emissions from Korea Eximbank Operational Activity (Scope 1 & 2)

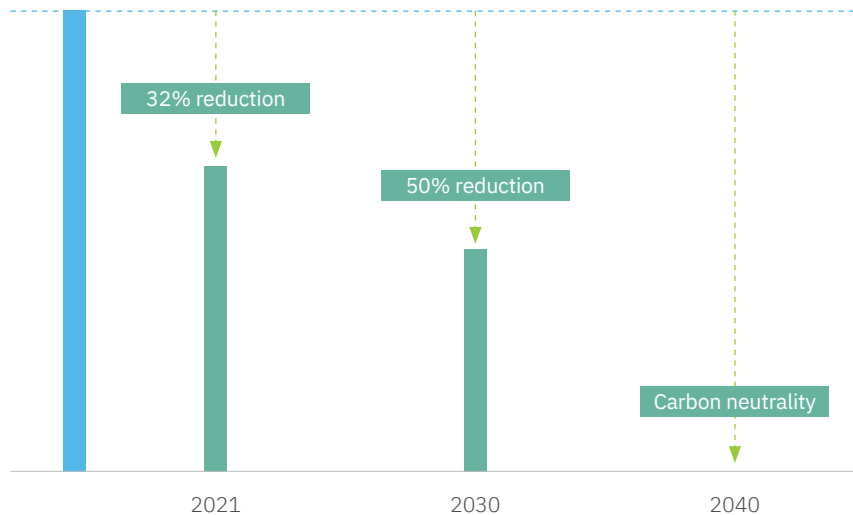
(Unit : tCO<sub>2</sub>eq)

■ Scope 2 ■ Scope 1



In addition, the Bank has a set a single GHG emissions target for Scope 1 and 2, which is to reduce carbon emissions in its operations by 50% by 2030 compared to historical levels. In the longer term, the goal is to achieve net zero in the sum of Scope 1 and 2 emissions by 2040. Ongoing projects are aimed at reducing GHG emissions gradually toward net zero by 2040.

### Operational Carbon Emission Neutrality Roadmap



Korea Eximbank has already adopted green hardware and ideas in its own automobiles, office supplies, and IT infrastructure. As of the end of 2022, the Bank operates 29 green vehicles and 6 EV charging stations; the remaining combustion-engine fleet is expected to be converted into electric vehicles and hydrogen-powered vehicles, while the EV charging station infrastructure is also expected to grow in proportion. Over the course of their daily activities, Bank employees have attempted to increase the purchase of green office supplies and carry out internal awareness campaigns to promote employees to participate in environmentally friendly activities, an initiative inspired by Article 3 of the Act on Promotion of Purchase of Green Products. Finally, the Bank is in the process of building an ambitious Software-Defined Data Center, a facility expected to be completed by 2024 that will come with high-efficiency equipment and run on renewable energy.

### Metrics for Scope 3

Financing activities form the majority of the Bank's business, adding to the importance of both understanding and ensuring that these projects align with the Bank's climate-related objectives. As laid out in the Strategy section, the Bank's risk management system will gradually incorporate means of identifying, assessing, managing and monitoring Scope 3 emissions. Actual quantitative targets and specific pathways to mitigate Scope 3 emissions will be set to adapt to a constantly changing business landscape, leveraging tools such as the Sectoral Decarbonization Approach (SDA) and Absolute Contraction Approach (ACA) developed by the Science Based Target Initiative (SBTi).





This Annual Report was produced in an environmentally friendly way using environmentally friendly paper.  
Korea Eximbank continues to be environmentally conscious to reduce impacts on the environment.



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Direct link to a video introducing  
Korea Eximbank's Operation in 2022

# ANNUAL FINANCE GLOBAL KOREA REPORT 2022



**Korea Eximbank**  
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