

The Export-Import Bank of Korea (EIBZ KS)

FUNDAMENTAL VIEW ¹

As of 14 Aug 2024

- KEXIM is a pure policy bank that is directly and indirectly wholly owned by the government of the Republic of Korea, which is obliged under Article 37 of the Export-Import Bank of Korea Act to fund any losses that cannot be covered by the bank's reserves.
- While this is a solvency guarantee and does not explicitly guarantee the timely repayment of debt, we view it as inconceivable that the Korean authorities would fail to provide KEXIM with support in a timely manner, should this be needed, given its crucial policy role and close government links.

RISKS & CATALYSTS

As of 14 Aug 2024

- Previous Korean governments have made moves to privatise the other policy banks, but KEXIM has retained its policy bank role and government ownership, which are not likely to change.
- Korea's shipbuilders have long been the largest users of KEXIM's services. Losses on exposure to the sector, in particular Daewoo Shipbuilding (DSME), pushed KEXIM into the red in 2016 but the government injected capital and its condition has recovered.
- Together with KDB, KEXIM has played a key role in helping corporate Korea survive the COVID-19 induced crisis.
- KEXIM's ratings are the same as the Korea's sovereign ratings, which are now all in the AA range.

CREDIT QUALITY SCORE (CQS)²

As of 19 Nov 2024

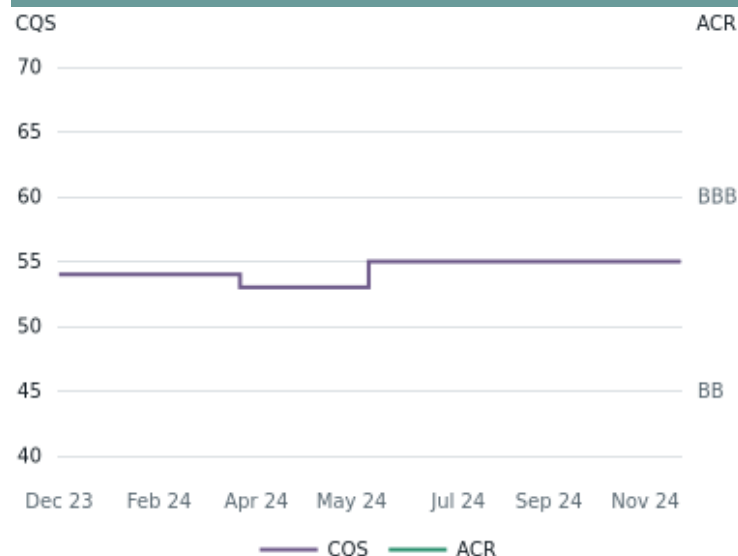
CURRENT CQS

55

CQS OUTLOOK ³

NEGATIVE STABLE POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR) VS CQS



KEY METRICS

As of 14 Aug 2024

KRW BN	FY19	FY20	FY21	FY22	FY23
Pre-Impairment Operating Profit / Average Assets	1.3%	1.2%	1.1%	1.1%	1.1%
ROAA	0.5%	0.1%	0.5%	0.4%	0.6%
ROAE	3.2%	0.7%	3.2%	2.7%	4.7%
Provisions/Average Loans	0.5%	1.2%	0.5%	0.8%	0.3%
Nonperforming Loans/Total Loans	2.4%	1.8%	1.9%	1.2%	0.7%
CET1 Ratio	12.9%	13.4%	13.3%	11.8%	13.0%
Total Equity/Total Assets	14.9%	14.8%	15.1%	12.6%	14.3%
Net Interest Margin (NIR/Ave Assets)	1.0%	0.9%	0.9%	0.9%	0.7%

BUSINESS DESCRIPTION

As of 14 Aug 2024

- KEXIM was set up in 1976 to support Korean companies in their overseas business through export credit guarantee programs, as well as providing finance for imports and for overseas investment. It provides funding for both short term trade and long term investment, and manages two government-entrusted funds: the Economic Development Cooperation Fund (EDCF), a Korean official development assistance program, and the Inter-Korean Cooperation Fund (IKCF), an economic cooperation program to promote exchanges with North Korea. It is also a conduit through which the government doled out COVID-19 assistance to affected companies.
- Till 2030, KEXIM aims to preferentially focus on seven sectors (hydrogen energy, wind and solar power, rechargeable battery and energy storage systems (ESS), future mobility, 5G and next-generation semiconductors, pharmaceutical and healthcare, and digital technology and cultural content) which are considered new growth drivers of the Korean economy. It has historically focused on the shipbuilding and engineering & construction industries.
- KEXIM is 100% owned by the Korean government: 73% directly and the remainder through stakes held by the Bank of Korea (8%) and Korea Development Bank (19%). In contrast to peer policy banks IBK and KDB, KEXIM has remained more consistently a policy bank but its role has been adjusted to ensure it complements rather than competes with the Korean commercial banks.

GLOSSARY

¹ The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

² The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

³ The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

⁴ The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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