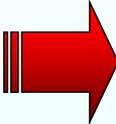


Korea Eximbank's Financial Cooperation for Northeast Asia

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Korea

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Overview of Korea Eximbank



➤ A government bank which provide financing to development projects participated abroad by Korean companies

History

- 1976, Established by the Export-Import Bank of Korea Act
- 1987, Operates EDCF, the Korean ODA program
- 1991, Administers IKCF, the North Korea support program

Mission

- Facilitate the development of Korean economy and enhance overseas economic cooperation
- Provide financial supports for trade, overseas investment, overseas natural resource development
- Share the mission with other Export Credit Agencies (ECA)

<ECA>

- ECAs extend export credit for overseas projects which commercial banks avoid financing due to high risks, low profit, etc.
- Over 80 countries have their ECAs such as JBIC in Japan, China Exim in China, USEXIM in the US.

Capital Structure (as of Dec. 2009)

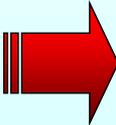
- Authorized Capital : KRW 8 trillion (USD 7 bil.)
- Paid-in Capital : KRW 5.16 trillion (USD 4.5 bil.)

K-EXIM Operation

- Outstanding of loan and guarantee is USD 71.4 bil. to 153 nations as of June, 2010
- Financing performance in 2009 totaled USD 48 bil.



1. Overview of Korea Eximbank



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K-Exim's Financial Cooperation in NEA

- K-Exim has shown little financial support in NEA due to the less active participation by Korean companies.
- However, our financing is expected to increase in the future due to great potential for development demand
- Major sectors to be financed are :
 - to urgently require development
 - to greatly contribute to regional economic cooperation
- Major sectors differ by region

Major Sectors to be financed by Region

Far eastern region of Russia : Energy Sector

- Energy remains a critical factor in the economic development and security of Korea
- Korea needs reliable energy suppliers besides Middle East countries. China and Japan experience similar energy problem.
- These countries need to jointly develop energy resources in Russia which has extensive natural gas fields
- Energy development including the construction of pipelines and some infrastructure requires considerable capital and a long development periods.
- K-Exim will actively participate in the energy projects with other development banks.

Northeastern region of China : Cross-border infrastructure and Heavy industry projects

- Three provinces in northeastern part of China have a great potential for the cross-border projects as they border Russia, Mongol and North Korea.
- Underdeveloped infrastructure causes a bottleneck in regional cooperation and lowers the competitiveness of the region as a whole.
- A typical example is transportation infrastructure such as ports, roads and railroads.
- These provinces are seeking a large scale of investment for the rehabilitation of heavy industrialization.
- The success of the heavy industrialization in these provinces will greatly benefit to neighboring countries.

Mongolia : Natural resource and Infrastructure development

- Mongolia is a low-income country, however, has rich natural resources with high development potentials.
- Many foreign investors hope to invest in the mining sector in Mongolia, but the lack of infrastructure becomes a bottleneck in doing investment.
- Railway, road and power plant should be constructed to increase the investment in natural resources.

N. Korea : Basic Infrastructure Building

- North Korea is a key variable in ensuring security and peace not only in Northeast Asia but also in the world.
- Security and peace can be achieved through North Korea's economic development by leading it towards a market-oriented economy.
- The desperate state of the North Korean economy requires huge sums of investment capital to build basic infrastructure.
- Infrastructure development in N. Korea should be supported by multilateral financing schemes in exchange of ensuring security for all NE Asian countries.
- K-Exim could lead the multilateral financing with the accumulated knowledge and experience on the economic cooperation with North Korea.

Financing Instruments for Development Projects

Direct loan/Guarantee

- Extended directly to foreign buyers that purchase Korean goods and services, including construction projects.
 - Tenor : maximum 30 years (including a maximum 7 year grace period)
 - Currency : Foreign currencies, Korean Won or local currency
 - Interest rates : Fixed or flexible rates depending on the borrower's choice, and within the level of market rates
- Provides guarantees to commercial banks that participate in the transactions financed by the Bank
 - A 100% guarantee for principal and interest in the event of default

Project Financing

- Project financing (P/F) is a financing technique in which the revenues created by the respective project should be a loan repayment source.
- If project profitability recognized, it can mobilize huge amounts of funds, regardless of the credit standing of the borrower or borrowing country.
- By such merits, borrowers or investors seek P/F to undertake large-scale projects.
- A lot of financial institutions including MDBs, ECAs and commercial banks involve in the P/F transaction.
 - ECAs chiefly absorb political and commercial risks, while commercial banks extend the loan.

- Investors and lenders place most emphasis on the secure withdrawal of invested funds.
- Consequently, political stability, rational legal systems, and project feasibility becomes important factors for participation in the project.
- However, some NEA countries are not yet prepared to offer such stable and secure environment.
 - Therefore it is not easy to utilize the P/F for NEA development .
- K-Exim will strive to improve the P/F environment in NEA countries.
- K-Exim will lead P/F transactions to promote Russian energy projects and China's infrastructure projects.

Bilateral ODA : EDCF

- Bilateral ODA is a concessional loan to less developed countries for the purpose of helping their economic development.
- It supports a non-commercial project at more favorable terms and conditions than general loan.
 - Interest rates are 0.1~ 2.5%, and maturity is up to 40 years (incl. a maximum 15 years grace period)
- K-Exim is managing Korea's ODA, EDCF (Economic Development Cooperation Fund) on behalf of Korean government.
- In NEA region, EDCF can be extended to chiefly Mongolian projects.
- K-Exim can provide mixed credit which combines the EDCF loan with export credit.

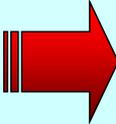
ODA for N. Korea : IKCF

- South Korea has assisted the economic development of North Korea through the IKCF (Inter-Korea Cooperation Fund)
 - The Fund is provided in a grant-type aid or concessional loan.
- K-Exim has also been operating the IKCF since the Korean government's entrustment in 1991
- The Fund had increased financing activities before N. Korea resumed a nuclear and missile tests early last year.
 - The cumulative total disbursement is KRW 5,453 bil. (USD 4.7 bil.) as of June 2009.
- If the relation between S. Korea and N. Korea improves, IKCF could resume the financial support including the infrastructure construction projects.



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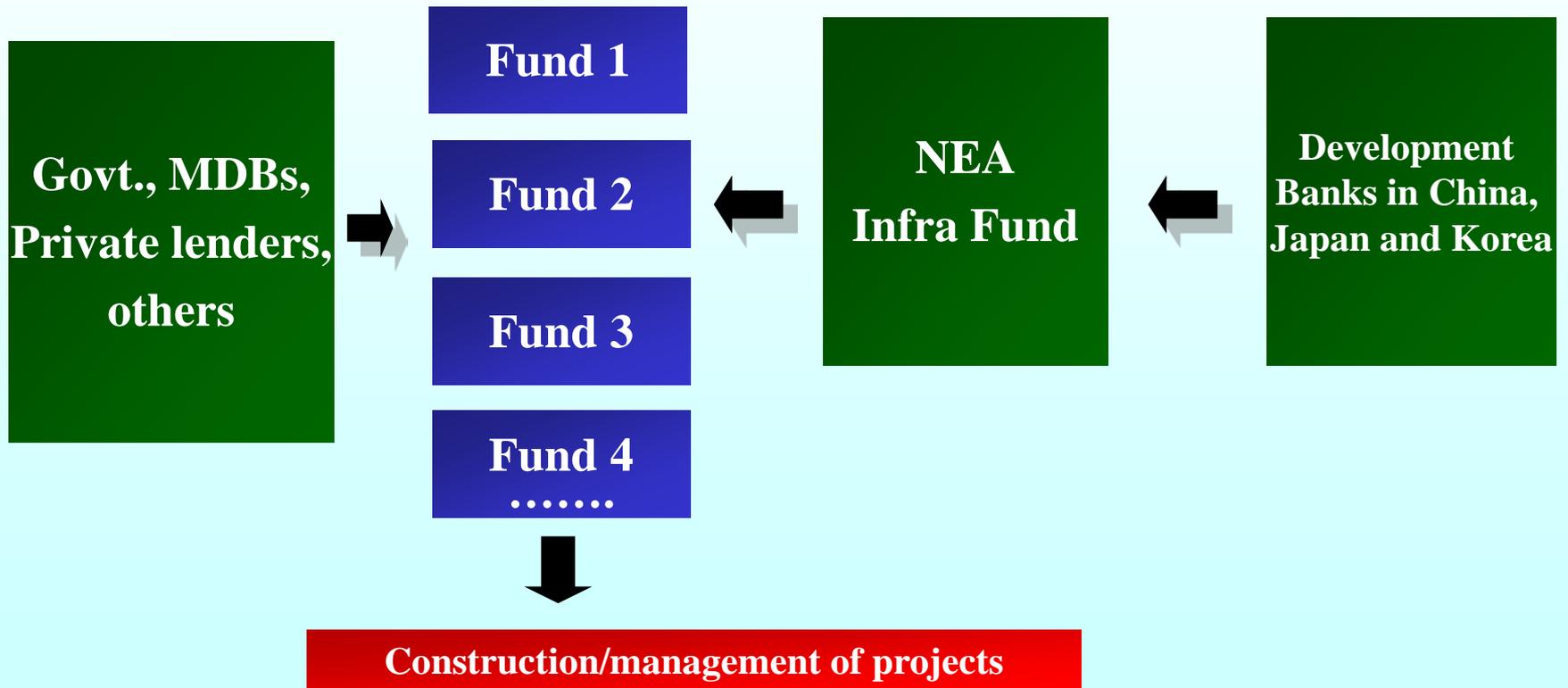
Financing Cooperation among Development Banks in NEA

- Before NEABCD is set up, the development banks in NEA countries could co-finance to a specific project by using export credit or bilateral ODA loan.
- As government banks, we can represent our respective governments, so we could support development projects which are politically necessary.
- As for the individual project, these institutions could jointly offer direct financing, or co-financing with the existing MDBs and commercial banks
- We could create a financial cooperative body in order to explore suitable projects and to discuss the financing terms.
- The cooperative body could serve as the founding body in establishing the NEABCD.

Creation of the NEA Infrastructure Fund

- As a means of the cooperation, creation of the NEA Infrastructure Fund could be an alternative idea.
 - Participants would be Korea Exim in Korea, China Exim or CDB in China, JBIC in Japan.
 - Each of them would contribute capital to form the Fund.
 - The Fund makes subsidiary funds (sub-funds) to financially support implementation of the infrastructure projects in this region. There would be one sub-fund for one project.
 - Each sub-fund would establish special purpose company (SPC) for the operation of the project, and could raise the additional funding from private sources.

<Structure of NEA Infrastructure Fund>



<Merits of Infra Fund>

- The SPC of a sub-fund can raise large amount of capital by utilizing the project financing (P/F) scheme.
- It attracts investments from both public and private institutions, and borrows in the international capital market. The NEA governments and MDBs could participate in it.
- As a sub-fund is formed on a project basis, political obstacles could be reduced, and funding would be easier.
- Since the group to lead the Fund is composed of banks instead of governments, mutual cooperation could be easier.

Thank You Very Much



Korea Eximbank

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