

Annual Report 2014

# THE POSSIBILITY BEGINS WITH

# ksure

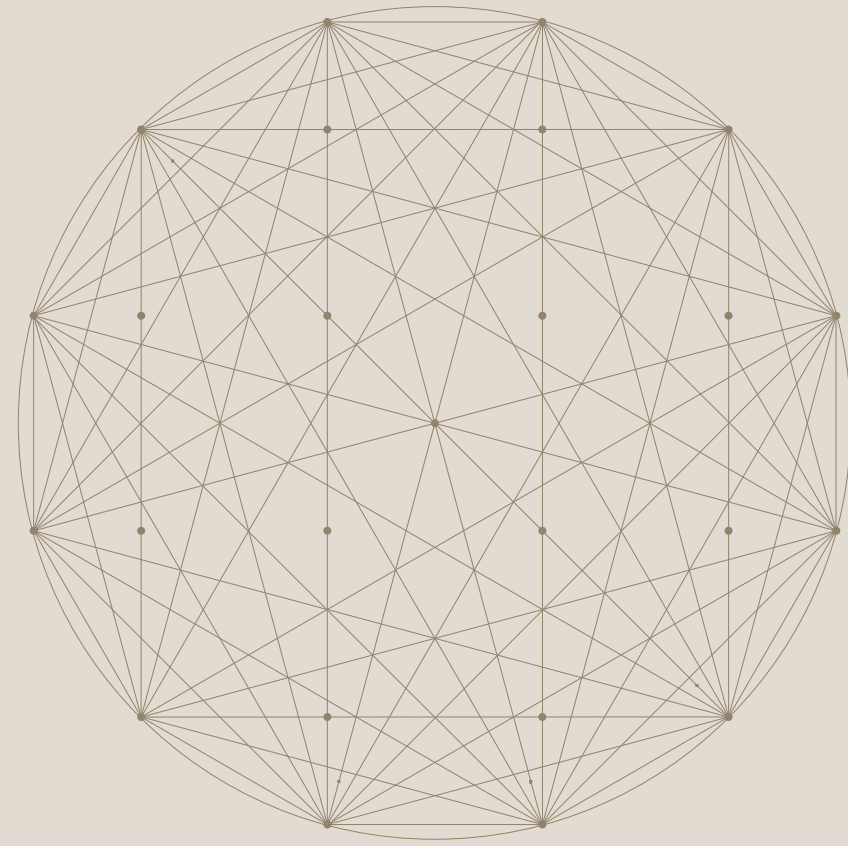
Annual Report 2014 K-sure



**ksure**  
KOREA TRADE INSURANCE CORPORATION

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KOREA TRADE INSURANCE CORPORATION



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Korea Trade Insurance Corporation (K-sure) was established in July 1992 pursuant to the Trade Insurance Act for the purpose of promoting international trade and overseas investment of Korean enterprises with the mission to boost the national competitiveness of Korea. As the official export credit agency under the Ministry of Trade, Industry and Energy, our corporation's roles are as follows:

- Operate various trade insurance programs to cover risks arising from the import and export of goods and services, overseas construction works, outward investments, management of FX and interest risks, export of cultural contents and services, and other international transactions involving Korean enterprises
- Provide and manage credit information related services, and recover debts including receivables for Korean enterprises
- Realize the vision of becoming a "public corporation trusted by the people of Korea" with emphasis on customer satisfaction based on ethical and innovative operation characterized by integrity, transparency, sharing and communication
- Responsibly underwrite trade insurance with the credit ceiling set and approved by the National Assembly of Korea each year based on the initial government contribution in the form of "Trade Insurance Fund" and the reserve funds resulting from our operation
- Promote safe trade and overseas investment by expanding the role of trade insurance for the purpose of boosting national competitiveness and economy

We at K-sure endeavor to develop various trade insurance products and value-added services for the promotion of international trade as well as Korean export by proactively responding to the ever-changing global trade environment. As of December 2014, we have a total of 517 employees. With our head office based in Seoul, there are 15 branches operating in Korea with a director dispatched to the Jeju office as the domestic representative. Our international presence includes 12 representative offices with two seconded representatives in two major destinations for Korean exports.



## MAJOR BUSINESS ACHIEVEMENTS

We at K-sure believe that a successful penetration of Korean firms into global markets will provide the critical momentum needed for the growth of the Korean economy. Thus, we offer tailored trade insurance services for those firms that try to find new markets amid global uncertainty so that they can pursue their business with peace of mind.



## K-SURE AND THE COMMUNITY

We focus on inclusive development by promoting communication and expanding sharing with our clients and people in our community. We continue to pursue social contributions for community development, knowledge sharing to help the weak, donations for a stable community economy, regular volunteering and sponsorship activities for those socially marginalized, etc.



# K-sure History

1968~1979



- **1968**  
**Dec.** | The Export Insurance Act is adopted and proclaimed.
- **1969**  
**Feb.** | Korean Reinsurance Company (KOREAN RE) takes over the export credit insurance program from the Government of the Republic of Korea.
- **1977**  
**Jan.** | The export credit insurance program is transferred to KEXIM Bank.
- **1979**  
**Jan.** | The Ministry of Commerce and Industry becomes the competent authority for the export credit insurance program, in place of the Ministry of Finance.

1992~1996



- **1992**  
**Jul.** | Korea Export Insurance Corporation (KEIC) is established as the sole provider of export credit insurance.  
**Nov.** | Export Credit Guarantee is introduced.
- **1994**  
**Nov.** | Short-Term Export Credit Insurance, Agro-Fisheries Export Insurance and Market Development Insurance are launched.
- **1996**  
**Dec.** | KEIC participates in the OECD Export Credit Group (ECG) and Group of Participants (GOP) Meetings for the first time.

2000~2005



- **2000**  
**Feb.** | Business volume exceeds KRW 10 trillion.  
**Feb.** | Foreign Exchange Risk Insurance is introduced.
- **2005**  
**Jul.** | Knowledge Service Export Credit Insurance is introduced.  
**Sept.** | A resource development product is introduced under Overseas Investment Insurance.

2006~2008



- **2006**  
**Nov.** | Overseas Resources Development Fund Insurance is introduced.  
**Dec.** | Overseas Business Financing Insurance is introduced.
- **2007**  
**Dec.** | Cultural Contents Export Insurance is introduced.  
**Dec.** | Overseas Marketing Insurance is introduced.
- **2008**  
**Apr.** | SME Plus+ Insurance is introduced.  
**Jul.** | Agro-Fisheries Export Package Insurance is introduced.  
**Sept.** | Business volume exceeds KRW 100 trillion.  
**Dec.** | Comprehensive Overseas Resource Development Insurance is introduced.

2009~2012



- **2009**  
**Apr.** | Export Financing Facility (EFF) is launched.  
**May** | Customer Service Center is opened.
- **2010**  
**Jul.** | KEIC is re-named Korea Trade Insurance Corporation (K-sure), and NEW VISION 2020 is proclaimed.
- **2012**  
**Jan.** | The Anti-Corruption & Civil Rights Commission recognizes K-sure for having one of the best transparency policies in Korea.  
**Dec.** | Business volume records KRW 202 trillion.

2013~2014



- **2013**  
**Jan.** | K-sure is named "Global Multilateral of the Year 2012" by Project Finance International.  
**Mar.** | SME Plus+ Group Insurance is introduced.
- **2014**  
**Sept.** | The Ship Finance Department, reorganized into the Maritime Finance Department, is relocated to the Marine Finance Center in Busan.  
**Dec.** | M-L Bond Insurance for capital market is introduced.



# 2014 Highlights



## REGIONAL HEADQUARTERS SYSTEM INTRODUCED FOR SME SUPPORT (SEPTEMBER)

- The SME business division was reorganized into two regional headquarters, overseeing a total of 16 domestic branches for geographically closer support. The heads of these headquarters are given the autonomy to conduct business including the establishment of strategies, management of business performance and review of major underwriting cases for their respective region.

\*Restructuring of domestic branches: formerly, 15 domestic branches in operation → two regional headquarters comprised of 16 domestic branches

\*Two regional headquarters: The central headquarter oversees the Central, Gangnam, Guro Digital, Gyeonggi, Incheon, Northern Gyeonggi, Gangwon, Daejeon and Chungbuk branches. The southern headquarter oversees the Busan, Changwon, Ulsan, Daegu, Gwangju/Jeju and Jeonbuk branches.



## RELOCATION OF MARITIME FINANCE DEPARTMENT TO BUSAN (SEPTEMBER)

- The Maritime Finance Department relocated to Busan at the Marine Finance Center. KEXIM and KDB also dispatched their teams to the center so that the teams from three organizations would collaboratively provide the necessary support. The purpose of establishing this independent decision-making body was to consolidate on-site support for the shipbuilding and marine industries in a timely manner in the exact location.

## 중견기업 해외프로젝트 금융지원 업무협

일시 : 2014. 9.17(수)



## PROMOTION OF SMALL AND MEDIUM PROJECTS (JANUARY AND AUGUST)

- The Small and Medium Project Team was set up to promote SMEs to enter overseas markets. Private sector funding was secured with the conclusion of the export finance commitment agreements with banks in order to provide financial support for small and medium projects. Internally, we revised our bylaws to expand the scope of qualifying firms for the short-form application of Overseas Investment Insurance (Investment Financing) and eased the qualifying criteria for Overseas Business Financing Insurance. Moreover, we introduced the Export Infrastructure Insurance (for Manufacturing Equipment) for SMEs to support the procurement of manufacturing equipment for export.



## CO-HOSTING OF THE KOREA-AFRICA INDUSTRY COOPERATION FORUM (OCTOBER)

- With sponsorship from the Ministry of Trade, Industry and Energy, we co-hosted the 8th Korea-Africa Industry Cooperation Forum along with KOTRA and the Plant Industry Association. For the first time in the forum's history, we independently held a project finance seminar, where presentations were made on Africa's industries, economic outlook and PF cases, along with panel discussions with participants from financial institutions.

Furthermore, ten public corporations including K-sure, KOTRA and KEPCO organized the "Korea-Africa joint development support team" and concluded an MOU on joint penetration of Africa and other emerging markets.



## MAJOR EVENTS AND AWARDS

- MOU on reinsurance concluded with SERV, the Swiss ECA (Jan 20)
- The 10th K-sure and Sinosure bilateral meeting held (Mar 25-27)
- Agreement of reinsurance concluded with Euler Hermes, the German ECA (Mar 26)
- Awarded the Grand Prize at the 7th Korea Ethical Management Contest (Jun 12)
- Management vision proclamation ceremony held to commemorate the 22nd anniversary of K-sure's establishment (Jul 7)
- Reinsurance agreement concluded with EDC, the Canadian ECA (Sept 22)
- MOU on forming cooperative network to support domestic firms and export start-ups concluded with KOTRA (Sept 30)
- Participated in the 7th Korea-Africa Industry Cooperation Forum (Oct 20)
- Awarded the Grand Prize for 2014 Korea Management in inclusive development sector hosted by KMAC (Oct 28)





# CEO's Message

"Listen to and learn from people in the frontline of exports and solve problems right there, right then for the purpose of supporting SMEs become global players"

The year 2014 posed many challenges for Korean exporters and our clients. Nonetheless, Korea was able to achieve USD 1 trillion in trade for four consecutive years despite a delayed economic recovery in the EU and other advanced countries in addition to heightened tensions in Ukraine and Iraq among other difficulties. It was also a meaningful year for Korea as the trade partnerships with China and Vietnam were consolidated through the conclusion of FTAs.



*Y. H. Kim*

PRESIDENT

KOREA TRADE INSURANCE CORPORATION

**Kim Young-hak**

The year was also significant for K-sure as well. We continued to strive to become an agency that supports SMEs at the right time and the right place under the belief that voices from the frontline of exports are always correct. We introduced the "regional headquarters system" in 2014 with the goal to assist SMEs more closely at the actual sites of their business. The SMEs Business Department was set up to better support SMEs, while the Maritime Finance Department was augmented and moved to Busan as one of the three financial institutional parties of the Marine Finance Center, which was established with the aim to better support the shipbuilding industry specifically.

As for the regional headquarters system, existing domestic branches were grouped together under two headquarters, each headed by an executive director given the authority to directly support the exporters within his/her region, in pursuit of "autonomous business operation". In short, each headquarters was given more complete decision-making power and cumbersome procedures were eliminated with the goal to swiftly resolve various issues faced by exporters on site to enable one-stop services at the actual site of the export business.

In 2014, SMEs support was increased 7% YOY to KRW 38.5 trillion. The SME Project Team was launched to promote the participation of SMEs in overseas projects. In January, Korea Consulting Center (KoCC) was established, with K-sure along with Korea Development Bank, Korea Exim Bank, International Contractors Association of Korea and Korea Plant Industries Association collaborating to assist SMEs in entering the overseas project market and to offer up-to-date information on overseas markets.

As one of the programs launched to facilitate SMEs, "the SME Plus+ Group Insurance" covers the non-payment risk of export receivables to prevent any difficulties in the daily operation arising from the potential default by their importers or buyers after shipment. The policyholders under this program are export-related institutions or local governments, which means individual SMEs are not burdened by policy application. In short, the program helps SMEs to maintain their focus on their export activities instead.



Moreover, FX risk management support for SMEs was strengthened in response to the FX fluctuations caused by the quantitative easing by the U.S. and the EU as well as a record low yen. We were able to attract more SME policyholders to our foreign exchange risk insurance with the introduction of the optional-type policy after the removal of the "clawback clause", a major factor that deterred SMEs from purchasing the product since they had to pay back the FX gains when the currency rate rose.

We operate various export support products to boost the competitiveness of Korean firms in winning overseas project contracts. To proactively cope with the changing circumstances surrounding overseas projects such as the current market trend toward mega-projects and diverse funding sources, we tried to form strong partnerships with Korean EPC contractors as well as international and domestic financial institutions starting in the early stages of projects. We saw another meaningful achievement this year as our Maritime Finance Department that had relocated to Busan helped Korean shipyards win more global shipbuilding contracts through our M-L Bond Insurance for capital market that enables shipowners to tap into the abundant liquidity in the capital markets.

For 2015, we at K-sure will strive to set the foundation for Korea to attain USD two trillion in trade by working with Korean exporters in the frontline and solving their export credit-related issues with the goal to promote exports and create jobs.

At the same time, we will serve as a public institution that is trusted by Korean people by fulfilling our corporate social responsibilities and pursuing innovation within the agency. In short, K-sure will be a close confidant to our exporters by building a safe and solid road toward exports.

**38.5 trillion**

Support for SMEs in 2014  
(Unit: KRW)

We would like to extend our gratitude to our customers for their support last year and ask for continued support and interest this year as well. Thank you very much.





## The Role of K-sure in 2014

Despite the improving U.S. economy, the global economy showed slow growth due to the lagging recovery in the eurozone, Japan and emerging countries.

As for the major economies, the U.S. ended its quantitative easing and initiated the exit plan as the country's employment improved and consumption showed solid growth. On the other hand, growth is slowing down in China with the accumulation of real estate bubble, shadow banking and other risk factors, which are the side effects of fast growth. Amid unemployment prolonging and structural reform delayed and with the geopolitical risk spreading from the Ukraine crisis, the Eurozone's recovery has weakened. Japan is also showing a weak recovery due to the consumption tax hike despite positive policy effects from the quantitative easing policy, improved export coming from a weak yen.

Amid these challenges in the global economic environment, Korea was able to achieve USD 573.1 billion in exports and USD 525.6 billion in imports. As a result, the country recorded USD 1 trillion in trade for the three consecutive years since 2011. Korea attained triple crown with its record high trade volume, exports and trade surplus.

Despite the poor export environment including the slow-paced growth of China and the slow recovery of the EU, Korea was able to fare well thanks to the growth of small- and medium-sized enterprises (SMEs). The increase rate of SME exports was higher than that of large firms. SME's exports were diversified from high tech to food products.

The government's active development of emerging markets and pursuit of FTAs also contributed to improving trade. As of December 2014, Korea ratified 10 different FTAs with 49 countries, which are responsible for close to 40% of Korea's total trade.

On the other hand, K-sure played an active role in realizing USD 1 trillion in trade by supporting Korean exporters. Our contribution was recognized internationally, with Project Finance International magazine naming the Star Refinery Project and two other projects we supported as the Deal of the Year. Moreover, Trade Finance named the petrochemical project in Turkmenistan supported by K-sure as the Deal of the Year.

## 2015 Outlook and the Role of K-sure

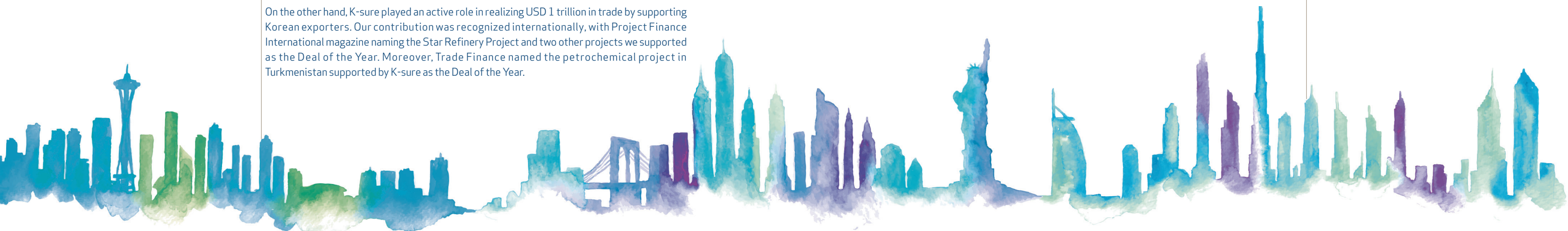
In 2015, the U.S. economy is expected to show solid growth and the eurozone, China and Japan to continue showing laggard growth. Increased demand in the U.S., the expansionary policy by Japan, and other factors are projected to push the global economy forward, which will in turn have a positive impact on the Korean economy.

Based on the Korean government boosting its fiscal spending and promoting investments, domestic consumption and exports are expected to grow steadily. As a result, exports will likely increase 3.7% YOY with trade increasing over USD 1 trillion.

Nonetheless, the U.S. is expected to increase its key interest rates, China to show slowing growth and a weak yen to continue, price competitiveness of Korean firms is likely to weaken. Furthermore, exports would be lagging in the petrochemical sector due to drop in oil prices. In short, the factors threatening Korea's exports still remain.

One of the top priorities on the Korean government's national agenda is the creation of jobs through growth and investment by fostering 10,000 SMEs exporters by 2017. To this end, the government has come up with detailed plans: discovery of promising exporters, provision of tailored support, expansion of the trade infrastructure, and active support for start-up exporters to enter overseas markets, etc.

In line with the government's policy, we at K-sure will provide full support for SMEs in their development of emerging markets, and be committed to the globalization of SME exporters, expansion of project finance support on plant, shipbuilding, and other EPC projects, thereby duly fulfilling our role as a global ECA.





# MAJOR BUSINESS ACHIEVEMENTS



We at K-sure believe that a successful penetration of Korean firms into global markets will provide the critical momentum needed for the growth of the Korean economy. Thus, we offer tailored trade insurance services for those firms that try to find new markets amid global uncertainty so that they can pursue their business with peace of mind. In short, we duly perform the role of a confident partner to Korean exporters by reflecting what was heard at the actual exporting sites to our operation and provide optimal solutions customized to each individual exporter.



# 2014 Business Performance and 2015 Business Plans

## 2014 BUSINESS PERFORMANCE

### • KRW 190.2 trillion in total support with increased SME support

In 2014, our total business volume for trade insurance was KRW 190.2 trillion. Of this, SME support increased 7.2% YOY to KRW 38.5 trillion and was responsible for more than 20% of our portfolio for the first time, attesting to the pivotal role of K-sure as an export safety net.

We concluded MOUs with domestic banks to increase their commitments to SMEs by setting aside special SMEs contribution funds to help SMEs boost their export competitiveness. On the other hand, we built a strong export safety net for small exporters by concluding group insurances with local governments, banks and related organizations. Through this project, we granted KRW 6.3 trillion in financial support.

Moreover, we actively extended the coverage of FX risk insurance for SMEs and utilized the "SF&Global Program" to help start-up exporters to emerge as global exporters. The benefits granted included provisional credit limits, buyer information research services, etc.

The "Export Hope Guarantee" was introduced to provide working capital, catering to the start-up exporters that have been in business for less than five years, with the aim to secure a financing safety net that functions in a timely manner. Provisional support was granted to the start-up exporters to help SMEs facing difficulties in performing their export contracts due to short credit limits.

Meanwhile, we also tried various ways to strengthen our project finance support. The Power Generation Finance Department was set up for the Technology & Environment Team to specialize in the technical environmental assessment aspect. The Maritime Finance Department moved into the Marine Finance Center in Busan for the provision of one-stop services for the shipbuilding industry in collaboration with other related institutions.

Moreover, we endeavored to create sovereign wealth and maximize our profitability by expanding highly profitable projects where Korean firms participated as sponsors. We led the domestic banks to boost their participation in overseas projects. In brief, we worked to expand overseas project finance at all fronts with the aim to boost the competitiveness of Korean firms.

Furthermore, we expanded the scope of our Mobile-K Office, a program where K-sure employees made visits to emerging markets so that we could investigate buyer information and offer credit limits on site. We also expanded our cooperation with commercial banks to help SMEs penetrating and developing emerging markets.



### • Sophistication of the risk management system

We strengthened the soundness of the Trade Fund by setting the total risk limit for K-sure and a credit limit for each company. Accordingly, the operation of the integrated risk management system helped us maintain better control of risks.

We diagnosed and improved overall credit assessment system including our assessment methods and procedures as well as credit ratings. By doing so, we improved the predictability of claims using our credit ratings, credit research tasks, and the reliability of our ratings.

### • Strengthening of claim and recovery capacities

We developed an online claim system for small claims to enable SMEs to obtain their payments as soon as possible. Upon evaluating the overseas collection agencies by region and country, more authority was delegated to the excellent collection agencies and good agencies were discovered. On the other hand, bad debts with low potential for recovery were sold to the Korea Asset Management Corporation. Furthermore, the information sharing system was set up for our headquarters, representative offices overseas and collection agencies in an effort to improve our recoveries.

### • Effective support of exporters via organizational innovation

To provide effective support for exporters centering around the actual site of their export activities, we divided our SME division into two regional headquarters (16 branches). This system grants more authority to the head of each regional headquarters in the conduction of on-site oriented business during the set-up of business strategies, performance management, review of large underwriting cases, etc. for those domestic branches under each headquarters' jurisdiction.

Moreover, the Marketing Planning Department was newly launched to lead the corporation-wide efforts to grant on-site support to SMEs.

# 2014 Business Performance and 2015 Business Plans



## 2015 BUSINESS PLANS

In 2015, the global economy is expected to grow 3.0-3.7% with the U.S. showing a gradual recovery. However, there are still many uncertainties including the possibility of the U.S. Federal Reserve raising its interest rates, concerns over the eurozone and emerging markets showing low growth, and volatility of commodity prices.

The Korean economy, on the other hand, is projected to show stronger growth compared to 2014. With the U.S. leading the global economy, albeit sluggishly, Korea expects to see more exports and domestic consumption rising above the rock bottom.

However, a weak yen may be a risk factor in which it could lead to lagging Korean exports and high FX volatility, limiting economic growth for Korea. Thus, we expect the demand of our insurances and guarantees to rise with the recovery and risk existing at the same time.

The government is striving to come up with measures to improve the overall trade finance system; thus, the role of K-sure will be further highlighted as the agency supporting exports and overseas investments by Korean firms. On the other hand, the demand for risk management and ethical operation is also on the rise.

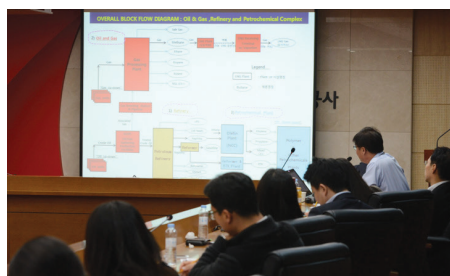
With the three business strategies, ie., sound operation, ethical operation and the promotion of business competitiveness, the target business volume is set at KRW 195 trillion, a KRW 4.8 trillion increase YOY.

Particularly, KRW 42 trillion has been set aside for SMEs, which is KRW 3.5 trillion more than the KRW 38.5 trillion in the previous year, with the goal to promote SMEs as leaders of creative economy by boosting their export competitiveness.

At the same time, the target business volume for the MLT program for plant, shipbuilding and other sectors in 2015 is set at KRW 15.8 trillion, which is KRW 3 trillion more than the KRW 12.8 trillion in 2014. Thus, we plan to boost the competitiveness of Korean firms for overseas plant contract bids and improve the soundness of our business by optimizing our project portfolios.

### The specific goals for our business for 2015 are as follows:

**First**, we will strive to boost the soundness of our Trade Fund based on well-grounded operation. For this purpose, we will work on the soundness of those ST products with financing functions. We will promote the effectiveness of our credit ratings system by actively implementing new credit ratings models. We will try to maximize our premium income by setting up an optimum premium rate system. On the other hand, a stronger risk management will be implemented to minimize claim payments.



**Second**, we will focus on a corporate-wide risk management from the underwriting planning stage to program operation. Furthermore, the target business volumes will be set based on the total amount of integrated risk to deny indiscriminate quantitative expansion and to secure qualitative growth. An independent review board will be set up to oversee the large underwriting cases for SMEs with the goal to strengthen screening prior to actual underwriting. Moreover, we will form a risk control team within the risk management department to fortify the post-underwriting supervising function.

**Third**, we will solidify ethical management through organizational reform. The whistleblower protection system will be consigned to an external agency and the bylaws will be revised to protect the anonymity of the whistleblowers. We will be committed to preventing illegitimate activities before they occur and imposing heavy penalties. Furthermore, senior directors will also be required to sign an ethical management contract, in addition to the executives.

**Fourth**, we will place the efforts to boost the capacity of SMEs in developing overseas markets. In 2015, we will substantially boost our business volume for SMEs to KRW 42 trillion. We will actively support building of an export safety net by diversifying the usage of "SMEs Plus+ Group Insurance" and promoting agreements with financial institutions making commitments to support SMEs.

**Fifth**, we will strive to improve the competitiveness of Korea enterprises in overseas project by encouraging project financing. We plan to introduce a product called the on-lending guarantee for emerging markets, which will facilitate the provision of quick MLT financing by commercial banks when we approve the guarantee by concluding a financial contract with commercial banks beforehand. The scope of this product will be expanded to cover the communications facilities, defence, infrastructure and other growth-engine industries in the future.

**Sixth**, we will improve the soundness of the Trade Insurance Fund by innovating the paradigm of our indemnification and receivables management. We will consign the work of recoveries to new and good collection agencies and promote competition among these agencies by offering incentives based on performance assessment results. Recoveries will be made in a dichotomous fashion, through which K-sure will directly collect the large and good receivables, whereas collection agencies will be utilized to collect the receivables for bankruptcy and reorganization claims. To ensure that this system functions as intended, regular monitoring will be conducted.

In 2015, K-sure will serve as a strong safety net for Korean trade as the country takes new steps toward achieving USD 2 trillion in trade.





# Business Volume and Outstanding Commitments

## BUSINESS VOLUME OVERVIEW

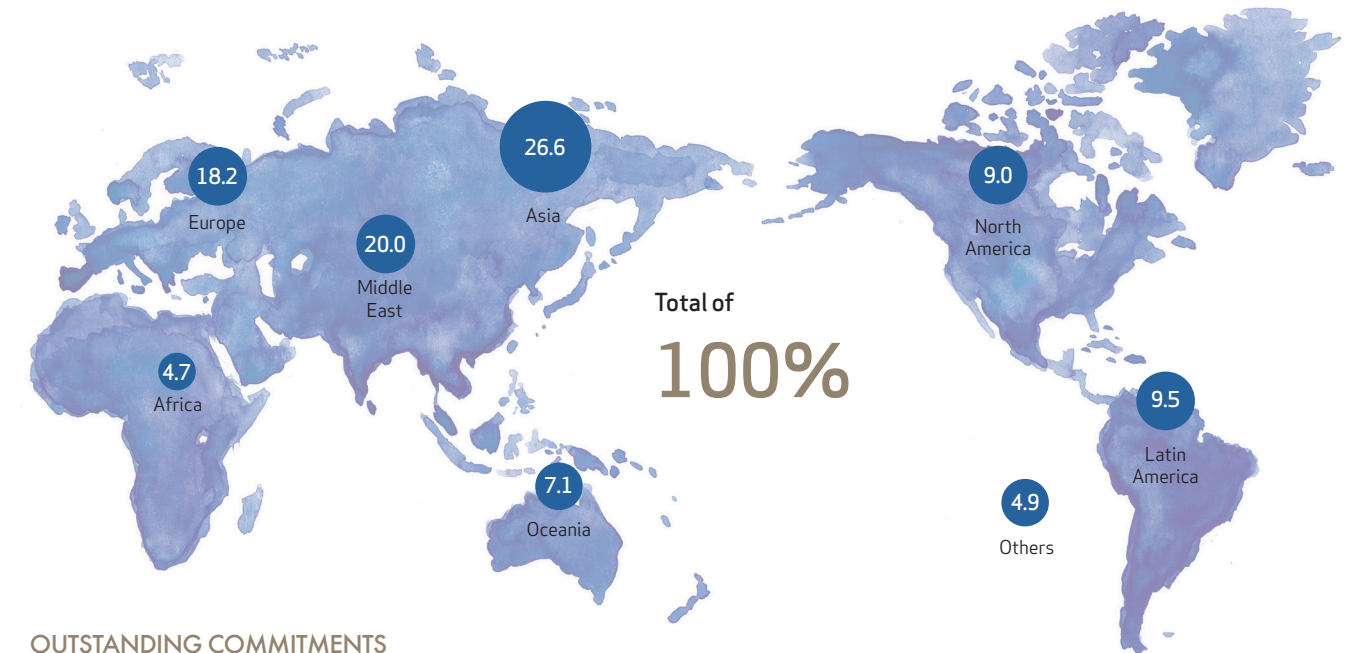
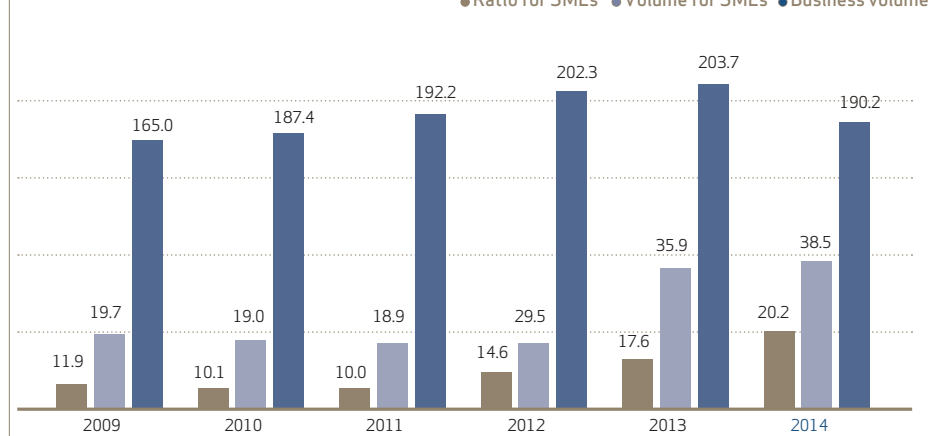
Despite the unfavorable environment for global trade including the slowdown of the Korean economy and weak recovery of the EU, Korean export performance fared relatively well in 2014 in which the country was able to achieve USD 1 trillion in trade volume for four consecutive years since 2011 and record high exports and trade surplus. In the meantime, K-sure was able to contribute to the globalization of SMEs by backing them with the guarantee commitment partnerships with domestic financial institutions, SME+ group insurance, SF&Global program and other services.

In face of business volumes dropping in all of our products, our total business volume decreased 6.6% to KRW 190.2 trillion; however, the volume and portion of our support for SMEs actually increased.

Business volume (Unit: KRW trillion, %)

Year	Business volume	Volume for SMEs	Ratio for SMEs
2009	165.0	19.7	11.9
2010	187.4	19.0	10.1
2011	192.2	18.9	10.0
2012	202.3	29.5	14.6
2013	203.7	35.9	17.6
2014	190.2	38.5	20.2

Business volume (Unit: KRW trillion, %)



## OUTSTANDING COMMITMENTS

By the end of 2014, our outstanding commitments decreased 5.5% YOY to KRW 93.5 trillion. As for the outstanding commitments by region, it was the highest for Asia, followed by the Middle East and Europe. Although a large increase was observed for Oceania and Africa, other regions showed a decline.

Outstanding commitments by region (As end of 2014) (Unit: KRW trillion, %)

	Outstanding commitments	Ratio	Rate of change ('14/'13)
Asia	24.9	26.6	△13.9
Middle East	18.6	20.0	4.5
Europe	17.1	18.2	△8.1
North America	8.4	9.0	△19.8
Latin America	8.9	9.5	△19.0
Africa	4.4	4.7	49.0
Oceania	6.6	7.1	38.4
Others	4.6	4.9	3.9
<b>Total</b>	<b>93.5</b>	<b>100.0</b>	<b>△5.5</b>



# Short-term Export Credit Program

## OUTLINE

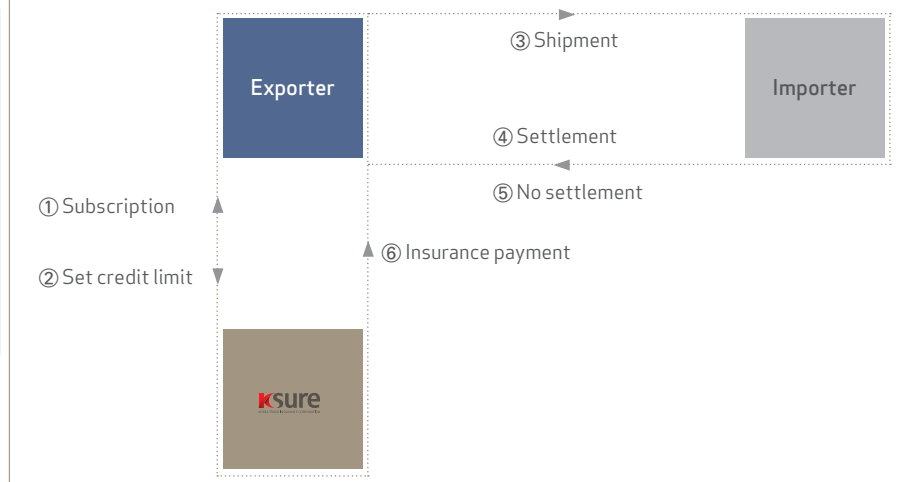
Targetting those export transactions with the payment tenure of two years or less, the short-term (ST) program covers losses of the exporter or the financial institution providing export finance for the non-payment risk of export proceeds arising from importers(issuing banks in the case of L/C-based export transactions).

How short-term program works [Short-term export credit insurance \(post-shipment\)](#)

### Details

- Trade parties
  - Korean exporter ↔ Overseas buyer
- Risks covered
  - Political risks from importing country
  - Commercial risks from buyer

### Overview



## SHORT-TERM PROGRAM BY FINANCING FUNCTION

The short-term program can be divided based on several factors, but the policyholder-based method is most commonly used for distinction, ie., whether or not the cover has the financing function.

	Pure cover (no financing function)	Cover on financing
Policyholder	Exporter	Financial institution
Cover on	Export proceeds, etc.	Export receivables, purchasing costs, etc.
Most used product	ST export credit insurance (post-shipment)	Export financing facility (EFF) ST export insurance (forfeiting)

## SHORT-TERM PROGRAM BY OPERATION METHOD

The short-term program can also be divided based on the method of operation: comprehensive insurance and specific insurance. As for the former, the policyholder picks and chooses certain transactions to be covered. On the other hand, the exporter and K-sure jointly set the scope of export transactions to be covered including the export product and settlement terms for the latter, in advance.

### Comparison between blanket and scheduled covers

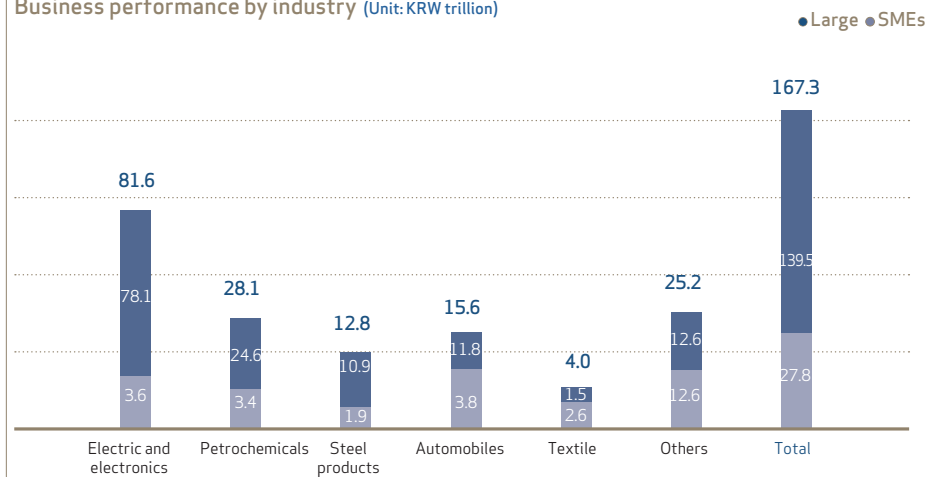
		Comprehensive insurance	Specific insurance
Outline		· All transactions that fall under a certain set of scope are covered (transactions with a tenure of 180 days or less)	· Insurance subscription and underwriting are needed for each transaction (transactions with a tenure of two years or less)
Advantages	Policyholder (Exporter)	· Good for high-risk transactions · Relatively low premiums	· Selective policy purchase possible on only those high-risk transactions
	Insurer (K-sure)	· Good for risk distribution	· High-risk transactions may be rejected
Disadvantages	Policyholder (Exporter)	· Cover also required for low-risk transactions	· Difficulty obtaining cover on high-risk transactions · High premium than blanket cover
	Insurer (K-sure)	· Obligated to cover even those high-risk transactions	· Risk distribution is difficult





'14 BUSINESS PERFORMANCE

Business performance by industry (Unit: KRW trillion)



Business performance by region (Unit: KRW trillion)

Region/ Enterprise size	North America	Europe	Asia	China	Asean	India	Others	Middle East	Africa	Others	Total
Large	25.7	22.5	65.5	17.1	16.4	10.1	21.9	12.5	4.4	9.0	139.5
SMEs	6.3	3.3	8.9	3.1	3.0	0.6	2.3	1.1	0.5	7.7	27.8
Amount	32.0	25.8	74.4	20.2	19.4	10.6	24.1	13.5	4.9	16.6	167.3

# Medium- and Long-term Export Credit Program

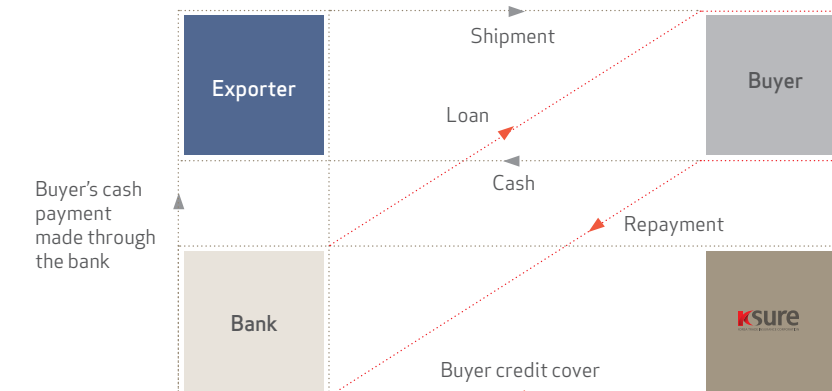
## PROGRAM OVERVIEW

Characterized by massive contract amounts, long construction and payment periods and complex transaction structures, most medium- and long-term (MLT) transactions are for the export of capital goods needed to build and maintain industrial facilities. To reduce financial burden, exporters involved in MLT transactions usually want to receive export proceeds on a progressive basis, rather than on a long-term basis after shipment. Thus, the buyer credit way of financing is typically used where the buyer secures financing of its own. At this time, ECA financing is actively used where the ECA of the exporting country's government extends a guarantee to the buyer to facilitate buyer financing and secure recovery for the bank financing the deal.

Our MLT line products can be divided broadly into two categories: those facilitating financing for the export of capital goods or the pursuing of overseas business and the insurance products covering the risk of non-payment of export receivables and overseas investment funds. The former includes MLT Export Credit Insurance, Overseas Business Financing Insurance, Export Bond Insurance, and Interest Rate Risk Insurance; and the latter, Overseas Construction Works Insurance, Overseas Investment Insurance, and Service Export Credit Insurance.

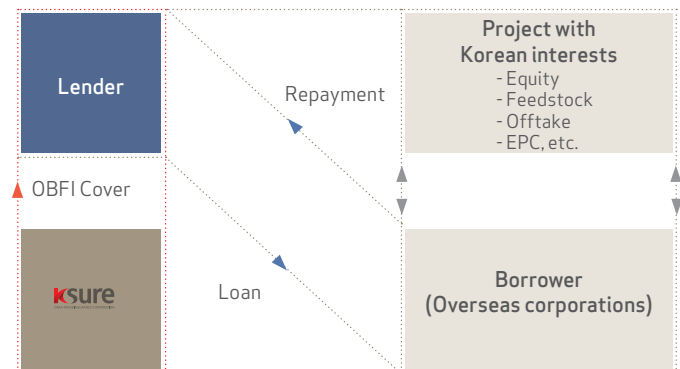
MLT export credit insurance and overseas business financing insurance are the two products that represent our MLT product line. The former covers the risk of non-payment of principal and interest in financial contracts for Korean exports of capital goods. The latter also covers the same risk but for Korean investments abroad.

## Buyer's credit insurance





### Overseas business financing insurance (OBFI)



These are the two pillars of the MLT program that complement financing from the international market to promote the export of capital goods for the shipbuilding and overseas plant construction and to support Korean firms as they attempt to enter markets and develop resources abroad.

Since 2004, Korean firms are expanding their presence abroad footed on their accumulated know-how and improved technical competitiveness. With an increased number of project orders from Asian, Latin American and other emerging countries and construction firms averting their eyes abroad, the globalization of Korean enterprises will continue at an accelerated rate. The result will be increased demand for ECA-covered loans and more emphasis on the MLT programs of K-sure.

### 2014 BUSINESS PERFORMANCE AND PROGRAM REVISIONS

In 2014, the MLT finance market recovered from downturn caused by the European debt crisis, leading to active participation of commercial financial institutions and institutional investors in the project finance market, footed on their abundant liquidity. A shift was observed in different regions in which large projects orders came from emerging markets in Africa, Latin America and CIS, unlike in the past when the Middle East dominated the project market.

In contrast to the financial market recovery, the situations in other areas were more unstable than ever before. Political instability in Ukraine, Libya, and the Middle East on top of plummeting oil prices fueled uncertainties with ensuing delay and cancellation of project contracts in some cases. These circumstances boosted the risk averting attitude of commercial financial institutions on large and risky projects, leading to an increased demand for ECA financing.

In the meantime, K-sure focused on and improved the MLT line to meet the demand for ECA financing so that project finance would not suffer amid these uncertainties.

Particularly, a wide range of efforts were put into support SMEs for pioneering overseas markets. To facilitate SMEs, the qualification requirements for the MLT products were eased and special agreements were arranged with commercial banks to actively support SMEs for penetration into overseas markets. Another significant change was the set-up of an environmental assessment unit with the goal to strengthen environmental and social assessments in line with a stronger emphasis on these aspects during project review for underwriting.



### MAJOR PROJECTS COVERED

The Star Refinery Project in Turkey and Petrochemical Plant Project in Turkmenistan were the two majors we covered in 2014.

The former is a project finance building refinery facilities in which once the plant is completed, proceeds from selling eight products including diesel and jet fuel produced from the plant's operation will be used toward paying off the plant on a long-term basis. A Korean EPC contractor and six different ECAs including Korea's K-sure, US-Exim, Japan's JBIC and NEXI, Italy's SACE, and Spain's CESCE participate in this mega project costing USD 5.6 billion.

As for the latter project costing USD 3 billion, it involved the construction of production and auxiliary facilities to produce high-density polyethylene using natural gas obtained from the Caspian Sea offshore. The Korean consortium was composed of an EPC contractor and a long-term offtaker. ECA financing came from Korea's K-sure and KEXIM as well as Japan's JBIC and NEXI. One significant note was the fact that the K-sure covered facility involved seven major domestic banks as creditors. It was meaningful that our active support led to the participation of Korean commercial banks, which previously lacked experience in financing overseas projects.

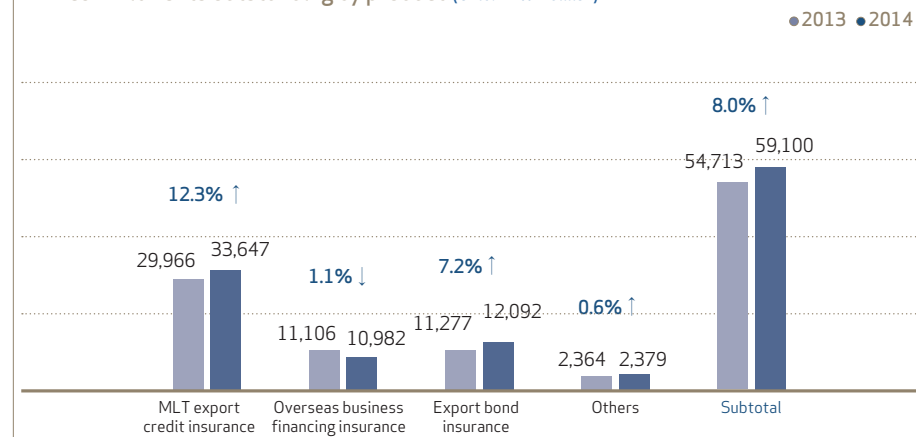
We plan to boost the competitiveness of Korean firms and banks by expanding the trade insurance coverage for not only plant projects but also investment in the ICT, resource and infrastructure development, and other sectors.

K-sure's contribution was recognized internationally: Project Finance Magazine named three deals including the Star Refinery Project as the Deal of the Year, and Trade Finance Magazine named the Petrochemical Plant Project in Turkmenistan as the Deal of the Year.

### OVERVIEW AND ANALYSIS OF BUSINESS PERFORMANCE

Despite the reduced number of project contracts due to the drop in oil prices, our commitment to finance overseas projects resulted in the increase in our 2014 MLT volume by 8.0% YOY (based on outstanding commitment).

MLT commitments outstanding by product (Unit: KRW 1 billion)

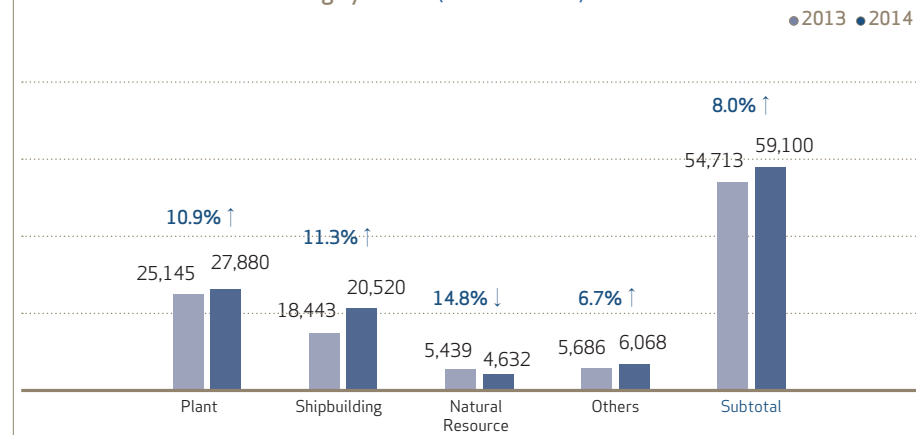


By sector, of KRW 59.1 trillion in total commitments, the plant sector took up 47%, which was the biggest portion of total MLT commitments at KRW 27.9 trillion. This was a 10.9% increase YOY, indicating that this sector was a major business area continuing from last year. This strong performance resulted from the expanded support provided to emerging markets and the realization of past tenders that had been on hold due to the global financial crisis.

The commitments outstanding for the shipbuilding industry was KRW 20.5 trillion, accounting for 35% of the total MLT. Despite the global slump in the number of vessel contracts, it was quite remarkable that the total coverage rose 11.3% YOY. K-sure became the world's first to issue an asset securitized bond insurance to cover ship financing through project bond issuance, instead of the conventional practice of loans.

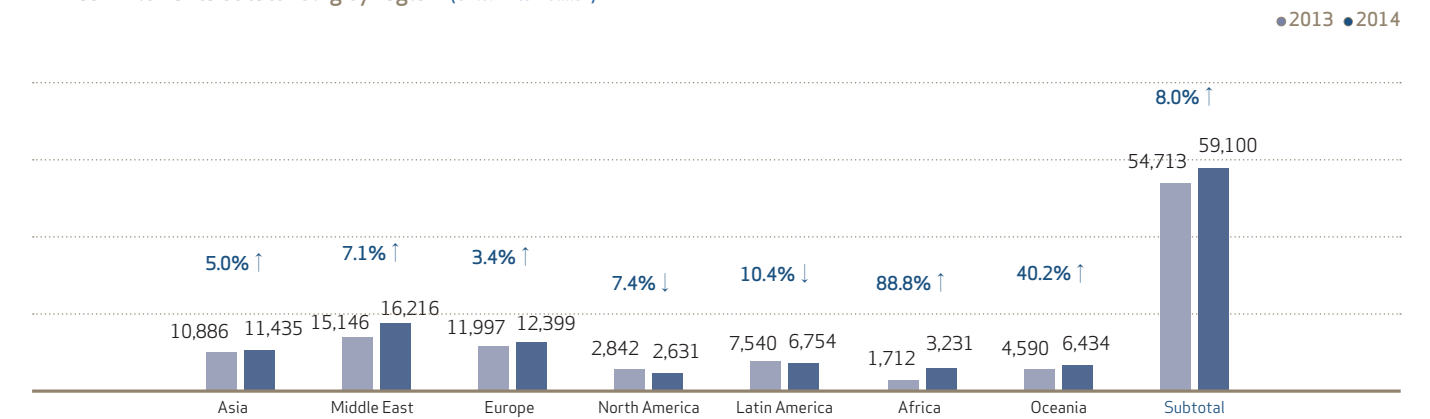
On the other hand, natural resource development project coverage dropped 14.8% YOY at KRW 4.6 trillion. This was due to decline in oil and other commodity prices, which led to a serious slump in the resource development market.

MLT commitments outstanding by sector (Unit: KRW 1 billion)



By region, the Middle East, which consistently ranked No. 1, achieved the feat once again in 2014 at KRW 16.2 trillion, with Europe and Asia ranking behind. Although these three regions were responsible for 67.8% of the total MLT, this percentage has been declining for two years in a row. On the other hand, cover for Africa and Oceania soared as we sought to diversify our portfolio by gradually easing off from the pattern of focusing on certain regions.

MLT commitments outstanding by region (Unit: KRW 1 billion)



## 2015 BUSINESS PLANS

We plan to lead the expansion of Korea's trade and overseas investment by providing more support in Latin America, Africa and other emerging regions. Our coverage will be focused on the plant, shipbuilding and SOC projects that are geared toward the creation of high-value and decent jobs, while providing active support for SMEs to help them penetrate into strategic markets. Furthermore, we will work toward financing SMEs to foster their growth as "Global Hidden Champions".

At the same time, we will diversify the sources of project finance through international channels of cooperation with other ECAs. Specifically, we will conclude MOUs to extend credit lines in advance with major international commercial banks that are able to offer sound financing and have strong local presence. The aim is to build comprehensive cooperative relationships with these banks that would expedite and offer flexible financing.

Furthermore, we will continue to devote our efforts to risk management and monitoring activities to better control the heightened risks arising from increased commitments outstanding and large-scale projects and ensure a stable portfolio. Amid the increasing uncertainties in the global economy, we will work at the forefront of the Korean economy to ensure sound growth and duly carry out our role as a global ECA.



# Export Credit Guarantee



## OVERVIEW

Export credit guarantee comes in the form of pre-shipment and post-shipment products.

### Pre-shipment guarantee

The pre-shipment program is a type of joint guarantee scheme that K-sure provides for debt/financing needed to manufacture and process exports or procure materials for exporters. The foreign exchange bank or financial institution providing export financing for the exporter via extending loans or issuing a payment guarantee does so based on K-sure's guarantee.

### Post-shipment guarantee

The export credit guarantee (post-shipment) is also a joint guarantee product. The exporter can secure export proceeds from the foreign exchange bank upon shipment of its goods to the importer or buyer abroad by submitting the bills of exchange and other shipping documents. This product is used to cover the foreign exchange bank concerned in case the export proceeds cannot be recovered from the buyer (also the L/C issuing bank) at the time of maturing of the export financing extended to the exporter.

Furthermore, we operate this product in conjunction with a short-term export insurance so that the exporter has no recourse obligation, i.e., the exporter is not required to pay K-sure since we offset the debt to be paid through our guarantee using the insurance proceeds, provided that the exporter executes the applicable export transaction accordingly and failure of payment, if any, is not attributable to the exporter. On the other hand, we also have the "Export Credit Guarantee (Nego)" product where the exporter can only purchase the guarantee without a linked insurance product if the exporter deems that it does not need extra coverage due to a low non-payment risk from the importer.



## BENEFITS OF EXPORT CREDIT GUARANTEE

### Pre-shipment guarantee

Upon the conclusion of an export transaction, the exporter typically secures the needed funds, in the form of trade finance, from commercial banks to procure raw materials or manufacture goods. However, banks typically require security from exporters, which renders it difficult for SMEs to secure trade finance as they usually lack security.

Accordingly, with the aim to facilitate exportation, we issue export credit guarantees for exporters based on the exporter's financial conditions, export performance and ability to carry out exports.

Exporters obtaining export finance based on an export credit guarantee can enjoy the leverage effect by being able to secure additional funds compared to obtaining credits without a guarantee and lower the related financial costs as a result.

Banks, on the other hand, can actively expand their corporate lending while minimizing the non-payment risk, thereby boosting their BIS ratios.

### Post-shipment guarantee

Exporters can receive export proceeds immediately upon shipment using their bills of exchange and other shipping documents. However, because foreign exchange banks are required to pay export proceeds with their own funds, they typically require security, which can be offered in the form of our export credit guarantee. In other words, the bank that pre-paid the exporter based on our guarantee can recover its loan from K-sure in case payments cannot be recovered from the importer after shipment.



**OVERVIEW AND ANALYSIS OF BUSINESS VOLUME FOR EXPORT CREDIT GUARANTEE**

The business volume for export credit guarantee (pre-shipment) is KRW 3.3 trillion in 2011, KRW 2.8 trillion in 2012, KRW 3.3 trillion in 2013 and KRW 3.0 trillion in 2014. In summary, the business volume fluctuated repeatedly. Nonetheless, we established guarantee commitment partnerships with domestic banks that earmarked funds for SMEs and implemented the SF&Global program as part of our effort to increase support for SMEs.

On the other hand, the business volume for export credit guarantee (post-shipment) continued to rise. To be more specific, this particular area of business recorded a business volume of KRW 2.6 trillion in 2011, KRW 3.3 trillion in 2012, KRW 3.4 trillion in 2013 and KRW 3.5 trillion in 2014. This coincided with the increasing exports of Korea from USD 555.2 billion in 2011, USD 547.9 billion in 2012, USD 559.7 billion in 2013 and USD 573.1 billion in 2014. The increments in our business volume resulted from the rising demand for shipment document purchases in addition to K-sure's active support through various measures such as the guarantee commitment partnerships with domestic banks.



Export credit guarantee (pre-shipment and post-shipment) volumes by year (Unit: KRW trillion)

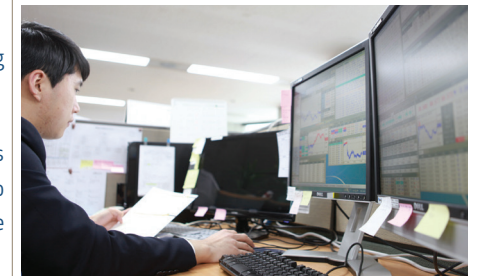
Year	2009	2010	2011	2012	2013	2014
Pre-shipment	4.5	4.4	3.3	2.8	3.3	3.0
Post-shipment	1.4	1.8	2.6	3.3	3.4	3.5
<b>Total</b>	<b>5.9</b>	<b>6.2</b>	<b>5.9</b>	<b>6.1</b>	<b>6.7</b>	<b>6.5</b>

# Foreign Exchange Risk Insurance

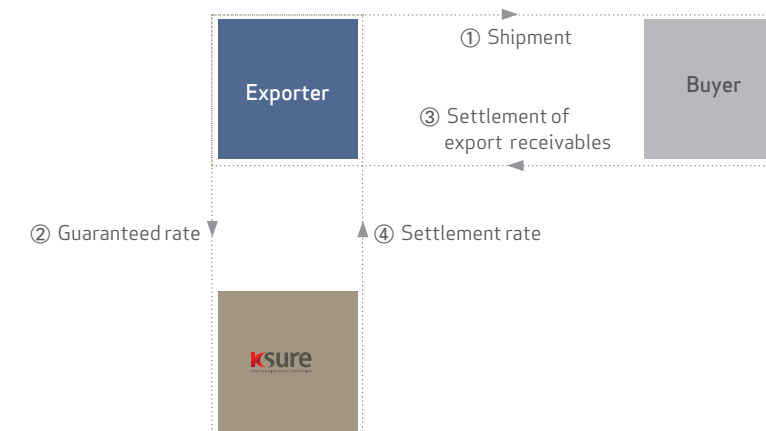
**OVERVIEW**

"Foreign Exchange Risk Insurance" hedges the FX-related risk by eliminating losses arising from FX fluctuations in the export transactions.

This product is similar to the forward FX transactions carried out by financial institutions as we compensate policyholders for their FX losses or clawback their FX gains, taking into account the variations in the FX rate between a specific point in time (guaranteed rate) and the time of export proceeds settlement (settlement rate).



**FX risk insurance flowchart**



In other words, exporters can ensure stable profits and remove the currency risk by fixing future cash flow in the Korean won in advance.

The four currencies covered under this product are the US dollar (USD), European euro (EUR), Japanese yen (JPY) and Chinese yuan (CNY).





**PROGRAM IMPROVEMENT**

As part of our efforts to improve our programs and products each year, we made the following modifications to our FX risk insurance in 2014:

First, we introduced the put option that waives clawbacks as well as the range forward type that eases the clawback burden with the goal to facilitate currency hedging.

Second, FX risk insurance was specifically designed to cater to SMEs to boost their capacity for currency hedging.

Third, the cover limit was raised by up to 100% of the export/import volume for the user, compared to the previous rate of 70-90%. Moreover, the number of required documents for application was reduced (from 11 to 7) for user convenience.

**BUSINESS VOLUME**

In 2014, the business volume from the FX risk insurance and the number of users decreased 12.2% to 1.5 trillion and 3.5% to 500 users, respectively, compared to the previous year. The decreases were due to lower demand for hedging due to a stronger won (1,095 won → 1,053 won), anticipation of FX rate rebound, etc.

Business performance for the past five years\* (Unit: KRW 1 billion)

Year	2009	2010	2011	2012	2013	2014
Business performance	1,408	2,623	1,829	1,147	1,720	1,507
User companies	502	680	536	368	518	500

\* Excluding the business volumes and users of terminated programs

# Claims and Recoveries

**CLAIMS**

**Overview**

- In 2014, our payment for claims totalled KRW 769.7 billion, a 11.6% increase compared to KRW 689.8 billion in 2013.
- Claims paid abroad amounted to KRW 241.1 billion, a 25.8% increase compared to KRW 191.6 billion in 2013. On the other hand, claims paid at home was KRW 528.6 billion, a 6.1% increase compared to KRW 498.2 billion in 2013.

Overview on claims paid (Unit: KRW 1 billion)

	2013	2014	Changes	Rate of change
Claims paid overseas	191.6	241.1	49.5	25.8%
Claims paid domestically	498.2	528.6	30.4	6.1%
<b>Total</b>	<b>689.8</b>	<b>769.7</b>	<b>79.9</b>	<b>11.6%</b>

**Claims paid by program**

- Claims paid for the short-term program was KRW 586.8 billion, which was a 145.3% increase compared to KRW 238.7 billion in 2013. For the MLT program, it was KRW 183.0 billion, a 59.4% decrease compared to KRW 451.1 billion in 2013.

Claims paid by product (Unit: KRW 1 billion)

		Claims paid			
		2013	2014	Changes	Rate of change
ST	ST export insurance	150.8	170.6	19.8	13.1%
	Export credit guarantee	82.9	383.7	300.8	362.9%
	Import insurance	5.0	32.5	27.5	550.0%
	ST total	238.7	586.8	348.1	145.3%
MLT	MLT export insurance	39.5	39.7	0.2	0.5%
	Export bond insurance	410.4	139.3	Δ271.1	Δ66.1%
	Overseas business financing insurance	1.2	4.0	2.8	233.9%
	MLT total	451.1	183.0	Δ268.1	Δ59.4%
<b>Total</b>	<b>689.8</b>	<b>769.7</b>	<b>79.9</b>	<b>11.6%</b>	



**Claims paid by country** (excluding claims paid for for-domestic products and derivatives)

- Claims from Iran accounted for the highest ratio for two consecutive years due to the sanctions by the U.S. and Europe. Furthermore, with emerging markets not faring well due to the drop in oil and commodity prices, there was a rise in claims coming from Russia, China, Brazil and other emerging countries.

**Claims paid by country** (Unit: KRW 1 billion)

Rank	Country	2013 Claims paid	Ratio	Country	2014 Claims paid	Ratio
1	Iran	53.6	28.0%	Iran	36.6	15.2%
2	Brazil	19.7	10.3%	Russia	24.9	10.3%
3	India	17.6	9.2%	Mongolia	14.4	6.0%
4	Spain	14.8	7.7%	U.S.	14.4	6.0%
5	China	9.9	5.2%	China	14.0	5.8%
6	Italy	8.9	4.6%	Brazil	10.2	4.2%
7	Russia	8.7	4.5%	UAE	9.9	4.1%
8	U.S.	7.3	3.8%	Argentina	8.6	3.6%
9	U.K.	5.9	3.1%	Germany	8.6	3.6%
10	Turkey	5.8	3.0%	U.K.	8.2	3.4%
Subtotal	-	152.2	79.4%	-	149.8	62.1%
Others	-	39.4	20.6%	-	91.3	37.9%
<b>Total</b>	-	<b>191.6</b>	<b>100.0%</b>	-	<b>241.1</b>	<b>100%</b>

**RECOVERIES****Overview**

- In 2014, the total recoveries made amounted to KRW 197.6 billion, which was a 43.1% increase compared to KRW 138.1 billion in 2013.

- Recoveries from abroad were KRW 87.4 billion, which was a 53.6% increase compared to KRW 56.9 billion in 2013. Of this amount, domestic recoveries accounted for KRW 110.1 billion, which was 35.6% compared to KRW 81.2 billion in 2013.

**Recoveries** (Unit: KRW 1 billion)

	2013	2014	Changes	Rate of change
Overseas	56.9	87.4	30.5	53.6%
Domestic	81.2	110.1	28.9	35.6%
<b>Total</b>	<b>138.1</b>	<b>197.6</b>	<b>59.5</b>	<b>43.1%</b>

**Recoveries by program**

- Recoveries from the ST program was KRW 108.5 billion, which was a 55.4% increase compared to 69.8 billion in 2013. From the MLT program, it was KRW 89.1 billion, which was a 30.5% increase compared to KRW 68.3 billion in 2013.

**Recoveries by program** (Unit: KRW 1 billion)

		Claims paid			
		2013	2014	Changes	Rate of change
ST	ST export insurance	35.0	48.9	13.9	39.8%
	Export credit guarantee	31.2	56.1	24.9	80.0%
	Others	3.7	3.5	△0.2	△5.2%
	ST total	69.8	108.5	37.8	55.4%
MLT	MLT export insurance	1.8	18.0	16.2	878.9%
	Export bond insurance	50.0	54.0	4.0	8.0%
	Overseas business financing insurance	16.5	17.1	0.6	3.9%
	MLT total	68.3	89.1	20.8	30.5%
<b>Total</b>	-	<b>138.1</b>	<b>197.6</b>	<b>59.5</b>	<b>43.1%</b>

**Recoveries by country** (excluding for-domestic products and derivatives)

- Recoveries from the top 10 countries including Iran, Pakistan, the U.S., Russia and Argentina accounted for 85.5% of the total recoveries at KRW 73.7 billion.

**Recoveries by country** (Unit: KRW 1 billion)

Rank	Country	2013 Amount	Ratio	Country	2014 Amount	Ratio
1	Pakistan	18.3	33.9%	Iran	29.9	34.7%
2	U.S.	11.3	20.9%	Pakistan	19.0	22.1%
3	Iran	10.2	18.9%	U.S.	4.8	5.6%
4	Zimbabwe	3.2	5.8%	Russia	3.7	4.2%
5	UAE	1.6	2.9%	Argentina	3.6	4.1%
6	Brazil	1.1	2.0%	Venezuela	3.1	3.6%
7	Oman	1.0	1.9%	Brazil	3.1	3.6%
8	China	0.8	1.4%	Singapore	2.6	3.0%
9	Spain	0.7	1.4%	UAE	2.2	2.5%
10	Canada	0.6	1.2%	China	1.7	1.9%
Subtotal	-	48.8	90.2%	-	73.7	85.5%
Others	-	5.3	9.8%	-	12.5	14.5%
<b>Total</b>	-	<b>53.9</b>	<b>100.0%</b>	-	<b>86.2</b>	<b>100.0%</b>



# Credit Research



## CREDIT RATINGS AND RESEARCH ON OVERSEAS ENTERPRISES

We collect information about overseas buyers and provide their credit information to domestic exporters. This service was made possible through the conclusion of MOUs with 82 credit research agencies in 44 different countries around the world, while working in conjunction with our overseas representative offices.

In 2014, we gained credit information on some 399,000 overseas buyers and compiled 58,646 credit reports, a 2.8% increase compared to that of 2013 (57,039 reports). Accordingly, our credit information database has steadily been expanding in volume.

Year	2010	2011	2012	2013	2014
# of credit research on overseas firms	46,231	49,918	55,989	57,039	58,646

As for the credit reports gathered by continent in 2014, majority of these reports were on buyers in Asia, which accounted for 33.2% of the total number of reports, followed by Europe (28.8%), North America (14.5%), Latin America (11.0%), Middle East (6.6%), Africa (4.1%) and Oceania (1.8%). By country, most credit reports were gathered from the U.S. (12.6%), followed by China (9.2%), Germany (5.4%), Japan (4.6%), Italy (3.6%) and India (3.5%).

Credit rating for domestic companies is the first step in granting trade insurance and the number of credit rating cases is increasing steadily. We completed credit ratings on some 11,475 different Korean firms in 2014.

Year	2010	2011	2012	2013	2014
# of credit research on domestic firms	9,286	9,699	10,295	10,901	11,475

## 2014 AGENDA

For 2014, we revised our credit rating model and credit rating categories for the purpose of providing more accurate credit information. We also diagnosed and enhanced our rating methods and procedures as well as the overall system of rating categories. And the outcomes will be integrated into our computer system in 2015. There are also plans to further sub-divide the existing external audit models for domestic firms into 14 categories. As for foreign buyers, categories were expanded to 11 for thorough classification.



Moreover, we tried to discover overseas credit research agencies for the emerging markets, in connection with our medium- and long-term development plans. As a result, we concluded a buyer credit research agreement in Vietnam, Ukraine and Peru, and we expect to provide more precise information on buyers in Vietnam, CIS and Latin American countries to our customers.

At the same time, we established an internal guideline on monitoring, which involves the use of an online system to evaluate customer satisfaction with a focus on reducing the cost of credit research and improving the quality of credit reports.

## FUTURE PLANS

Providing overseas buyer credit information and assessing credit ratings are essential steps in granting trade insurance since these two factors constitute an important arena for a stable operation of the Trade Fund. Furthermore, they help lead the growth of the national economy by supporting Korean firms to penetrate into overseas markets.

As such, we will strive to assist underwriting reviews by providing competitive credit information and to improve customer satisfaction. The credit ratings evaluation model, which was upgraded in 2014, will be integrated into our computer system in 2015. We build an around-the-clock monitoring system for the purpose of monitoring the stability and discriminant power of the items evaluated, expected default frequency in each credit category, etc. on a regular basis.

Moreover, we will reduce the time required to provide credit reports by ameliorating the process of credit research to boost customer satisfaction, revise the format of credit reports for improved comprehension, and provide our own contents such as K-sure default historic index, etc.

With the awareness that the credit research services of K-sure are not simply a tool to support exports but function as a platform for national growth, we will work toward expanding our database to secure global competitiveness, boost our competency in conducting credit research, improve the research and evaluation process, etc.

# Research on Country and Industry Risks



We provide active support for trade transactions in various industries throughout the world based on fast and accurate political-economic and industry trend analyses.

We publish a country report after a thorough assessment of political-economic trends when we are being ready to support a large MLT project or when it is necessary to support exports. The country report contains major economic indices, political-social stability index, international credit worthiness, assessment from international markets, transaction records with K-sure, etc. We published 57 country reports in 2014.

Furthermore, an in-depth assessment is conducted regularly on those countries at risk of war, default, etc. so that risk management by country can be performed beforehand. The results are used to change our country underwriting attitude to enable trade insurance support at the right time.

We strive to offer an accurate analysis of related industries in order to help Korean firms maintain global competitiveness amid a drastically changing external environment. As a result, we actively shared our in-depth analyses through seminars by industry, and 31 cases of industry analysis reports had been published in 2014.

We published the "handbook on emerging country banks" to support Korean firms' development of emerging markets and spot news that analyse ever-changing situations in each country to take immediate measures in emergency.

We regularly participated in the OECD's Country Risk Expert (CRE) meeting that is held three times a year. We analyse the details of trade insurance usage and actively voice our views in order to optimally assess ratings of various countries. In 2014, we participated in ratings assessment of a total of 142 countries at these meetings, while we internally rated those countries not rated during the meetings. As of December 2014, we have country ratings of 260 countries in total.

# Risk Management

We formed the Risk & Recoveries Division and appointed the chief risk officer (CRO) to effectively manage the risks found in K-sure's operations. The Risk Management Department within the Risk & Recoveries Division oversees the overall risk management related to various programs and operation of systems.

Our risk is managed under the framework of "integrated risk" that includes all the risks that can incur during the operation of our organization. This integrated risk is subdivided into the underwriting, financial, and operational risks. The underwriting risk is defined as the risk related to the operation of the trade insurance business. The financial risk occurs during the course of managing the Trade Fund and our assets. The operational risk is defined as the risk of mishandling of work, system errors, etc.

Moreover, the underwriting risk can be further subdivided into the credit and foreign exchange risks: the former is the risk of loss from defaults of importers, importing countries, etc., and the latter, the risk of loss due to currency fluctuations. On the other hand, the financial risk can be subdivided into the credit, market, and liquidity risks. The credit risk is the risk of defaulting of fund deposited and bond issuing institutions, etc. The market risk is the risk arising from fluctuations in the prices of assets invested. The liquidity risk is the risk of loss from not being able to counter unexpected fund losses.

To ensure the security of our trade insurance business, we set a risk limit ceiling for each of the above risks. Specifically, we set the annual limit on unexpected losses based on the size of the Trade Insurance Fund and distribute this limit to each risk (underwriting, financial and operational). To maintain each of these risks at an optimal level, we use the integrated risk measurement system to measure the amount of risk every day and monitor the amount of credit limit used up.

In order to measure the underwriting risk, which is responsible for more than 80% of the measured value of integrated risk, we reckon data inputs; the exposure at default, probability of default, and loss given default of each of the main agents of risk including exporters, importers and importing countries. And based on the results, we manage the credit risk, regularly calculating and reporting expected loss, unexpected loss(value at risk, VaR), and the level of risk concentrated by each insurance product. For the financial risk we monitor the amount of risk daily to reduce the losses coming from interest rate and stock price fluctuations, etc. The operational risk is measured and managed by monitoring the key risk indicator (KRI).

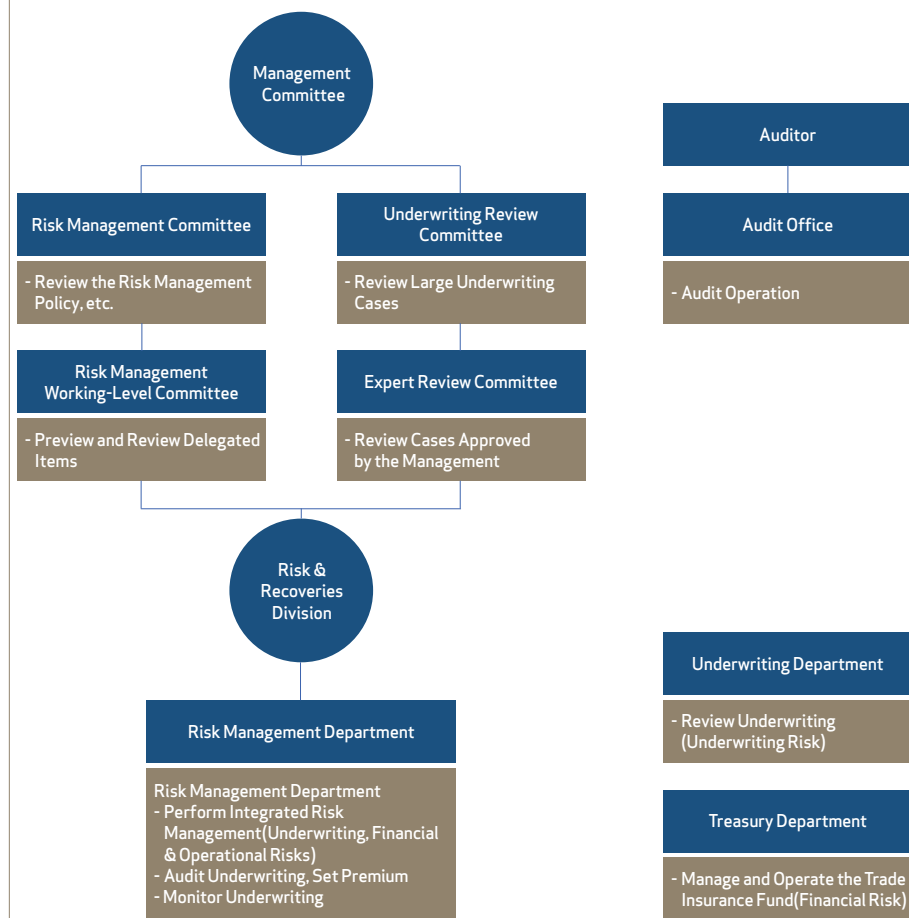


Aside from these methods, we conduct preliminary review, post-underwriting monitoring, management of total risk per exporter and reinsurance related to each underwriting case.

Post-cover risk management include regular monitoring (monthly, quarterly and semi-annually) by each country, industry, seller and buyer. When unusual signs are detected, risk is managed proactively by reducing credit limits, implementing risk mitigating measures, etc.

We have various risk management committees to ensure expertise and objectivity. The Risk Management Committee and the Risk Management Working-Level Committee conduct important policy assessments related to risk management. The Underwriting Review Committee and the Expert Review Committee were set up to review individual underwriting cases. With more than half of its members composed of external experts, the Risk Management Committee assesses the integrated risk ceiling as well as the ceiling for each type of risk. Along with the Underwriting Review Committee, the Expert Review Committee comprised of experts with abundant experience in the applicable field reviews and decides on major underwriting cases.

Risk management infrastructure of K-sure



# International Relations

## FORGING STRONG TIES WITH GLOBAL ECAS THROUGH BERNE UNION ACTIVITIES

- In 2014, K-sure played a leading role as a member of the Berne Union by actively engaging in its activities such as the selection of the agenda and participating in various decision-making processes.
  - The Berne Union, otherwise known as the International Union of Credit and Investment Insurers, is an association of global export credit agencies (ECAs) that aims to promote inter-member cooperation, in which 49 ECAs from 40 different countries participate by exchanging information on export credit insurance and closely working together to meet the norms in international trade.
  - We at K-sure contributed to the smooth flow of information within the Berne Union by participating in the 2014 Spring Meeting, Annual General Meeting, and other regular meetings by giving presentations on major agendas and engaging in panel and small group discussions.
  - Particularly during these meetings, robust discussions were held to seek measures for strengthening multilateral cooperation among ECAs to better support SMEs facing the difficulty of securing credit as a result of the consequences of the global financial crisis, sanctions on Russia and increased geopolitical risk in the Middle East.

- As part of regional activities within the Berne Union, we participated in the 7th RCG CEO Meeting in Hong Kong where we touched on the current issues pertinent to Asian ECAs including the changing role of ECAs after the global financial crisis and ways to strengthen mutual cooperation among the RCG members. We were able to promote the image of K-sure by playing a leading role in international gathering such as attracting the 8th RCG CEO meeting in 2015 to Seoul.

\*The RCG (Regional Cooperation Group) Meeting: The meeting of 12 ECAs in the Asia-Pacific region.





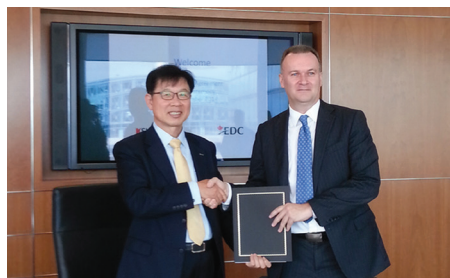
### PROACTIVE ENGAGEMENT IN DISCUSSIONS ON THE REVISION OF THE OECD EXPORT CREDIT GUIDELINES

- As part of the Korean delegation, we partook in the meetings of the Arrangement on Officially Supported Export Credits, the Working Party on Export Credits and Credit Guarantees, the Working Group of Experts on Premium and Related Conditions, and the Country Risk Experts. Moreover, we were actively involved in the discussions and establishment of various export credit related guidelines for the OECD.
- In 2014, the Sector Understanding on Rail Infrastructure and the Sector Understanding on Climate Change were deliberated on. Moreover, comprehensive deliberation was made on the technical issues related to export credit including premiums and interest rates. Particularly, amid intensive talks on limiting ECA support on high carbon intensity power plants to combat climate change, we at K-sure proactively participated in establishing the process of international standards during which we worked toward representing the national as well as industry interests of Korea, while reflecting our own stance.



### THE INTERNATIONAL WORKING GROUP ON EXPORT CREDITS (IWG) CONVENED

- The International Working Group on export credits (IWG) was launched in November 2012 with the goal to set up a new international norm on export credits by including China, Brazil and other emerging countries. Currently, the members are having talks on the sector understandings on ship and medicine.
  - There were 15 countries participating at the IWG including Korea, the U.S., the EU, Japan, China, Brazil and Russia. Led by the U.S. and China, this international meeting started to reduce the gap among export credit providers between the OECD and non-OECD countries.
- As part of the Korean delegation to the IWG, we engaged in the talks to reflect the interest of Korea, which is a shipbuilding powerhouse, in order to create a conducive environment for the nation's shipbuilding and EPC exporters to win overseas contracts.



### STRENGTHENING THE FOUNDATION OF COOPERATION THROUGH BILATERAL MEETINGS

- In 2014, we successfully held four different regular bilateral meetings to share information on trade insurance policies and to expand information exchange, strengthening strategic cooperative relationships as a result.
  - The bilateral meeting with Sinasure of China was held in March in Busan, Euler Hermes of Germany in May in Berlin, NEXI of Japan in September in Seoul and Coface of France in November in Gyeongju. Through these meetings, in-depth deliberation was made to seek ways to expand export credit support for the benefit of the participating countries. Particularly, emphasis was placed on the practicality of each meeting by selecting time-appropriate agenda including the current situation of the short-term export insurance market and the OECD and IWG-related matters, the issues of current concern.
  - Particularly, we expanded the network of cooperation with the leading ECAs in Asia including NEXI and Sinasure as well as the leading ECAs in Europe including Euler Hermes and Coface. As a result, we were able to forge policy coordination with the EU as well on international export credit policies.



### EXCHANGES AND COOPERATION WITH OTHER ECAS AND RELATED INSTITUTIONS

- We sought to boost mutual capacity by expanding the vis-a-vis channel of communications with other ECAs.
  - In 2014, cross-agency training of employees and direct information exchanges were more effectively carried out with improved collaboration between K-sure and Euler Hermes.
  - On the other hand, the Knowledge Sharing Program continued for the benefit of emerging countries. For 2014, public officials from Tanzania, ASEAN, Egypt, Vietnam and China visited our head office, for whom we hosted seminars to transfer knowledge on the trade insurance system.
- Furthermore, as part of the current government's agenda to promote economic cooperation with other countries, K-sure delegates actively partook in different economic delegations sent to different countries for the goal of building the capacity for cooperation.
  - As part of the delegations' activities, we concluded a total of seven cooperation agreements including four MOUs and three reinsurance agreements with different ECAs to mutually support projects in third-party countries. As a result, we were able to build a strategic partnership network to facilitate our work and expand the platform for coverage to better support Korean firms through our trade insurance.
  - The four agencies that concluded MOUs with K-sure included SERV of Swiss, MEHIB of Hungary (January), EXIAR of Russia (March) and UZBEKINVEST of Uzbekistan (June). The three agencies that we concluded a reinsurance agreement included Euler Hermes of Germany (March), EDC of Canada (September) and SACE of Italy (October).





K-SURE  
AND

THE COMMUNITY

We focus on inclusive development by promoting communication and expanding sharing with our clients and people in our community. We continue to pursue social contributions for community development, knowledge sharing to help the weak, donations for a stable community economy, regular volunteering and sponsorship activities for those socially marginalized, etc. All these efforts do not stop as one-time good-will gestures but are part of our endeavor to fulfill our corporate social responsibility as a responsible corporate citizen.





# Operation Aimed at Customer Satisfaction



We strived to run our business based on customer satisfaction in which we compiled the voices of customers for systematic management and boosted our employees' competency for customer satisfaction. As a result, we recorded a high Public Customer Service Index in the public corporation category of an annual survey conducted by the Ministry of Strategy and Finance for two consecutive years.

- Capacity building on customer service for employees

- We conducted a customer satisfaction survey and analyzed the responses (complaints, suggestions, proposals, etc) from customers who received happy-calls from K-sure. Based on the results, we organized workshops for each department to check for necessary improvements and share complaint cases.

- Operation of the Customer Satisfaction Committee

- We launched the Customer Satisfaction Committee composed of K-sure employees and employees of export companies. The Committee hold quarterly meetings to hear the opinions of our customers face to face. The results were reflected to improve our programs and systems.

- Expansion of the Trade Insurance Academy

- We opened the Trade Insurance Academy in 2009. A total of 28 sessions of education were offered in 2014 to 973 participants including exporters, financial institutions and college students. The contents included the introduction on the trade insurance system, claims cases, and other information.

- Operation of a mobile website

- We opened our mobile website to meet the demand from our customers during this digital age, through which country information, current environment on trade, FX information, and other useful contents are offered to our customers.

- K-sure News Letter sent to customers

- We sent our customers on-line K-sure News Letter and other information to offer them news on changes related to our programs, products, country attitude, etc. throughout the year with the goal to boost communications with our customers.



# CSR Activities

The objective of the corporate social responsibility (CSR) programs of K-sure is to create sustainable value and strengthening of operation for coexistence. The emphasis is on spreading happiness by sharing and communicating with our clients and neighbors under the slogan, "Exports for Exporters, Warmth to Neighbors".

Trying to avoid one-time volunteering activities, we pursue on-going CSR activities by allowing our employees to choose and participate in various voluntary activities of their choice so that those in need can receive assistance, while K-sure volunteers can feel a sense of joy and fulfillment from volunteering.

## CSR ACTIVITIES FOR MUTUAL DEVELOPMENT WITH COMMUNITY

K-sure volunteers perform various CSR activities around our head office in Jongno-gu, where we constantly communicate with the members of our community and preserve many historically important sites existing alongside modern buildings.

- We forged a sisterhood with the Jongno-gu District Office (October 2011) and volunteered to develop the community and help the marginalized classes at least once a month. Furthermore, the staff at our domestic branches sponsored the welfare facilities within their communities throughout Korea.

- Tended to the Confucian shrine, with high cultural value (Sungkyunkwan, Myungnyun-dong, Jongno-gu)
- Cleaned the streets connecting Bukchon and Insa-dong (Changshin-dong, Jongno-gu)
- Volunteered to support the events for the Independence Movement Day(March 1) and the Independence Day (August 15) (sponsored by the Jongno-gu district office)
- Cleaned up the surrounding environment of the small streams in the area with the Jongno-gu District Office
- Domestic branches sponsored the welfare facilities within their communities







We have formed sisterhoods with rural areas to help the local people; we have been volunteering in Uisik-ri, Asan-si, Chungcheongnam-do Province since 2005 and Gaekhyeon-ri, Paju-si, Gyeonggi-do Province since 2012. As part of our volunteer work, we have been assisting in the maintenance of ginseng fields and the fall harvests on a yearly basis.

To invigorate local economies, we have been helping the locals sell their locally grown produce directly to K-sure employees. We have built a platform for harmonious co-existence by boosting income for farmers and enabling our employees to obtain quality food.

- We have been forming “one company-one rural area” relationships for the promotion of exchanges between urban and rural areas to facilitate development through win-win relationships. We established a sisterhood relationship with Uisik-ri, Asan-si, Chungcheongnam-do Province in 2005 and Gaekhyeon-ri, Paju-si, Gyeonggi-do Province in 2012 to help boost income for the local farms and deliver quality food to K-sure employees. We also opened markets for organic produce grown by facilities assisting people with severe disabilities to help them attain improved self-reliance.

- Formed “one company-one rural area” relationships to help the local people in harvests
- Helped facilities for people with severe disabilities sell their organic produce (red pepper powder, dried vegetables)
- Sold produce grown by the sister towns to K-sure employees (beans and ginseng)



### IMPARTING KNOWLEDGE TO SOCIALLY MARGINALIZED CLASSES

Given the nature of our business, we also pursued knowledge sharing as part of our efforts to fulfill our corporate social responsibility. The Trade Insurance Academy is organized to offer free education to SME employees, college students and those aspiring to work in the trade business in the future. By helping those facing difficulties paying tuitions or fees for educational programs, we were able to expand the platform for the trade insurance business and to communicate face to face with the working-level people from SME export companies.

Our employees formed close ties with Theresa’s House through the long-term volunteering work at the orphanage, and there have been an increasing number of employees voluntarily giving their time to tutor and play with the children.

As part of the knowledge-sharing program, we conducted seminars on export credit insurance for government employees from developing countries including Tanzania, Egypt and Vietnam. We received rave reviews from these participants, who showed keen interest in our experience of running an export credit insurance business.







● The Knowledge-Sharing Program

- Offered free education on trade insurance through the Trade Insurance Academy to SME employees, college students and those aspiring to work in the trade business in the future
- Offered education on export credit insurance to government officials from developing countries such as Tanzania, Egypt and Vietnam as part of the knowledge-sharing program for capacity building
- Sponsored the maintenance and repair work at Tongmang Elementary School and the construction of a kindergarten in Laos as part of our global CSR activities

**CONTRIBUTION TO THE KOREAN ECONOMY THROUGH STABLE LOCAL ECONOMIES**

We have been endeavoring to boost domestic consumption by helping Kwangjang and other small traditional markets. We also established a sisterhood relationship with Yeji-dong Jongno-gu which supply various event products, consumer goods and other goods for holidays. We regularly sponsor our employees to shop at traditional markets for the Lunar New Year and Chuseok (Thanksgiving) holidays, helping young employees to familiarize themselves with traditional markets.

● Supported many activities to help promote traditional markets by forming sisterhood relationships

- Encouraged K-sure employees to shop at traditional markets for holidays
- Procured goods needed for K-sure from traditional markets



**BUILDING OF SOCIAL TRUST BY REGULARLY VOLUNTEERING AND SPONSORING THE MARGINALIZED CLASSES**

For the past 8 years since August 2005, our employees have been volunteering regularly at Raphael's House and Theresa's House, both of which look after marginalized children.

● Regularly volunteer and support single parent families, people with severe disabilities, the homeless in shelters, and low-income and marginalized classes

- Raphael's House (once a month, clean and maintain the building for children with severe disabilities and feed kids during mealtime)
- Theresa's House (once a month, clean and maintain the orphanage)
- Soosong Bohyun's House (help make kimchi for winter for the homeless cared for by the shelter)
- Participation at the annual bazaar hosted by Korean Red Cross to help the grandparent-grandchild families living in poverty
- Sponsored the breadmaking event with Korean Red Cross
- Sponsored the HOT bazaar to raise funds for scholarships for children from low-income families with members who have disabilities
- Sponsored a welfare facility for adults with developmental disabilities, those who are debilitated by environmental factors, and the deaf and hearing-impaired
- Offered a matching grant to the Green Umbrella Children's Foundation
- Sponsored the Green Umbrella Children's Foundation to help children living in poverty through meal plans, etc.
- Sponsored coal briquette sharing event for those with severe disabilities and low-income classes (Movement to Share Coal out of Love)





# Ethical Management

We at K-sure strive to establish a sustainable operational system to meet our social responsibilities as a public corporation and achieve mutual growth with the people of Korea under the vision for ethical management, which is "Clean K-sure, trusted by the people of Korea and its customers".

Led by the Ethical Management Committee chaired by the President of K-sure, we pursue ethical management. The Integrity Ombudsman Committee composed of external experts performs reinforced external monitoring and inspections of ethical management practices. Our customers also assist in the external monitoring process by reporting corruption and malpractices they experienced directly or indirectly during the course of using trade insurance.

To rid of the factors leading to corruption, we have been conducting the "identification of one ethical management task by one department" campaign to determine the tasks that are prone to corruption and improve how we operate. We also introduced the solicitation registration system, where employees and executives electronically register solicitation cases. To avoid merciful punishment for corruption cases, we introduced the "one strike, you're out" system.

For the executives to remain ethical and lead by example, the management including the President of K-sure was sent to the Integrity Training Center to receive anti-corruption education. Integrity education was also provided, and senior directors and directors took the oath of integrity. Furthermore, the effort of each executive in ethical management was evaluated through the internal performance evaluation, while the senior directors were required to sign an ethical management contract, which had previously been signed only by the executives. In summary, we strived to establish a system of ethical management that is led by example.

To promote ethical management, a corporate-wide contest was held to choose an anti-corruption logo to be displayed on the business cards of all K-sure employees. The junior-senior mentoring program was implemented for new recruits to learn how to deal with ethical dilemmas arising in their daily work and adhere to the ethical standards. Moreover, the employees and executives of K-sure voluntarily formed an integrity club to share their views through regular workshops, where they examined the trends related to ethical management and discussed related issues.



Abiding by the government's guidelines, we publically disclose information on our operation and information to the public before it is even demanded, thereby upholding the people's rights to know. Our internal guidelines that may have an impact on people's lives are also opened to the public to boost fairness and responsibility in our daily operations. The information on the optional contract deals and our executives' business expenses are also disclosed regularly. Through these measures, we are continuing our pursuit of transparent operation.

As an official export credit agency, we abide by the international ethical management standards. During the course of our review on granting trade insurance support, we observe the OECD Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligences ("The Common Approaches") and the OECD Recommendation on Bribery and Officially Supported Export Credits to prevent adverse effects of the applicable project on society and the environment. By doing so, we are assuring fair competition in international trade.

Moreover, we perform a comprehensive assessment of our operation based on the Global Reporting Initiative (GRI) to derive improvement measures and implementation strategies conforming to the international standards, and the subsequent results are published through our sustainability reports.

# FINANCIAL SECTION

53	Auditors' Report
54	Statement of Financial Position
55	Income Statement
56	Statement on Changes in Capital

## Auditors' Report

### INDEPENDENT AUDITORS' REPORT

To the Board of Directors of K-sure  
February 10, 2015

#### Report on financial statements:

We at Samjung KPMG LLC have audited the financial statements of Korea Trade Insurance Corporation on the Trade Fund (hereinafter referred to as the "Fund") for the year ending on December 31, 2014. These financial statements comprise the Income Statement, the Statement of Changes in Equity and the Cash Flow Statement as well as a summary on significant accounting practices and policies and Notes on the accounts.

#### Responsibility of Directors of K-sure on financial statements:

The Directors of K-sure are responsible for the preparation and fair presentation of the financial statements and for the internal control decisions deemed necessary for the purpose of ensuring that the financial statements are free from material misstatements, whether caused by fraud or error.

#### Responsibility of auditors:

Our responsibility is to audit and express an opinion on the financial statements of K-sure in accordance with the applicable law. Our audits were conducted in accordance with the auditing standards by the Korea Institute of Certified Public Accountants. These standards require us to comply with ethical standards for auditors and to plan and perform the audit to obtain reasonable assurance regarding whether the financial statements are free of material misstatement.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements. Choice on the audit procedure differs depending on the auditor's judgement in regard to the assessment, etc. of the risk on the representation of material misstatement, whether caused by fraud or error. When assessing this risk, the auditor takes into account the internal control measures related to the preparation of financial statements and adequate disclosure to design a reasonable audit procedure consistent with circumstances. An audit is, however, not to express an opinion on the effectiveness of internal control. Furthermore, an audit also includes the assessment of the appropriateness of the accounting policies that the Directors applied to prepare the financial statements and the reasonableness of significant accounting estimates made by the Directors.

We believe that the evidence for the audit we gathered is sufficient and reasonable to give our opinion.

#### Opinion on the financial statements:

In our opinion, the financial statements of K-sure give a fair view of the state of the affairs of K-sure from a significant perspective as of December 31, 2014 and of its operation, changes in equity and cash flow for the year then ended in accordance with the accounting rule of the Fund.

#### Opinion on other matters:

Samil PricewaterhouseCoopers had audited the financial statements for the financial year that ended as of December 31, 2013, and its auditors' report as of February 20, 2014 stated that they were in conformity with the accounting regulations of the Trade Fund.

**KIM KYO-TAE**  
CEO  
Samjung KPMG LLC



# Financial Statements

## 1. STATEMENT OF FINANCIAL POSITION

The 46<sup>th</sup> term as of December 31, 2014  
The 45<sup>th</sup> term as of December 31, 2013

Trade insurance fund (Unit: KRW)

Particulars	The 46 <sup>th</sup> (current) term amount	The 45 <sup>th</sup> (previous) term amount
<b>Assets</b>		
I. Cash and dues from banks	1,041,964,824,284	882,354,223,518
II. Securities	1,518,344,665,291	1,489,089,797,833
1. Trading securities	-	-
2. Available for sale securities	1,518,344,665,291	1,489,089,797,833
III. Tangible assets	75,982,777,097	66,005,887,868
IV. Investment properties	27,400,859,665	29,094,984,013
V. Intangible assets	9,164,542,679	11,520,242,579
VI. Other assets	1,052,918,476,133	854,554,601,378
1. Premium receivables	583,538,121,791	455,037,762,135
Reserve for bad debts	(11,734,540)	(11,734,540)
2. Account receivables	13,739,677,287	70,056,548
3. Accrued income from account receivables	26,175,596,977	24,762,615,640
4. Corporate tax receivables for the current term	2,168,900,639	2,554,795,100
5. Receivables from subrogation	343,721,841,182	267,326,061,342
6. Leasehold deposits	24,906,280,604	21,322,019,820
7. Deposits	2,325,344,178	1,862,341,631
8. Long-term loans to employees	1,548,548,930	1,865,706,847
9. Derivative assets	46,259,554,355	69,535,232,915
10. Others	8,546,344,730	10,229,743,940
Assets total	3,725,776,145,149	3,332,619,737,189
<b>Liabilities</b>		
I. Reserves for contingencies	2,090,240,967,040	2,095,471,270,214
1. Premiums reserve for unexpired policies	1,311,188,062,874	1,198,054,188,636
2. Reserves for payables	779,052,904,166	897,417,081,578
II. Other liabilities	259,465,719,404	106,906,297,740
1. Payable accounts	6,944,229,858	6,829,396,041
2. Payable expenses	1,180,335,526	1,575,652,061
3. Retiring allowance reserve payables	21,104,005,919	17,256,077,966
4. Prepaid premiums	153,349,705,363	2,687,943,331
5. Deposits	976,482,218	1,083,482,783
6. Liabilities from derivatives	39,800,272,849	50,801,343,403
7. Leasehold deposits	1,138,422,125	1,140,367,625
8. Trusts	17,366,406,269	25,086,526,256
9. Others	17,605,859,277	445,508,274
Liabilities total	2,349,706,686,444	2,202,377,567,954
<b>Capital</b>		
I. Contributions	2,540,824,481,888	2,492,824,481,888
1. Government contributions	2,314,824,481,888	2,314,824,481,888
2. Other contributions	226,000,000,000	178,000,000,000
II. Accumulated other comprehensive income	3,374,823,858	(10,776,930,632)
1. Gain on valuation of available-for-sale securities (loss)	3,374,823,858	(10,776,930,632)
III. Deficits	(1,168,129,847,041)	(1,351,805,382,021)
1. Retained earnings before appropriation	(1,168,129,847,041)	(1,351,805,382,021)
Capital total	1,376,069,458,705	1,130,242,169,235
Liabilities and capital total	3,725,776,145,149	3,332,619,737,189

## 2. INCOME STATEMENT

The 46<sup>th</sup> term from January 1, 2014 to December 31, 2014  
The 45<sup>th</sup> term from January 1, 2013 to December 31, 2013

Trade insurance fund (Unit: KRW)

Particulars	The 46 <sup>th</sup> (current) term amount	The 45 <sup>th</sup> (previous) term amount
<b>I. Income from operation</b>	3,260,126,001,318	2,943,196,717,443
1. Premium income	620,206,961,280	675,764,684,890
2. Recovery income	216,388,407,541	170,913,843,021
3. Reinsurance income	20,823,712,820	18,158,375,695
4. Other operation income	2,402,706,919,677	2,078,359,813,837
1) Interest income	65,757,248,033	55,098,728,416
2) Gain on valuation and sale of securities	9,336,173,808	7,550,143,706
Gain on valuation of trading securities	-	-
Gain on sale of trading securities	-	-
Gain on sale of available-for-sale securities	9,336,173,808	7,550,143,706
3) Income from commissions	1,526,247,554	1,275,801,887
4) Income from subrogation	66,362,141,892	-
5) Reversal of unearned premium reserves	1,198,054,188,636	1,055,492,611,891
6) Reversal of reserves for outstanding claims	897,417,081,578	775,335,029,408
7) Gain on derivative transactions	56,159,332,672	75,380,828,405
8) Gain on valuation of derivatives	21,123,035,672	53,729,591,222
9) Gain on FX risk insurance transactions	18,871,108,619	28,319,667,119
10) Gain on valuation of FX risk insurance	16,499,005,893	1,864,450,318
11) Gain on valuation of interest rate risk insurance	-	-
12) Gain on foreign currency conversion	42,781,299,627	6,487,466,264
FX gain	8,853,736,800	5,047,123,533
Gain on foreign currency conversion	33,927,562,827	1,440,342,731
13) Reversal on allowances for bad debts	35,114,979	-
14) Others	8,784,941,122	17,825,495,201
II. Operating expenses	3,221,651,505,253	3,225,603,460,500
1. Claims paid expenses	801,634,835,132	743,570,271,564
2. Returns of premium income expenses	85,275,717,380	98,529,159,848
3. Subrogation receivables deductions	-	8,508,483,672
4. Reinsurance expenses	18,945,515,726	19,852,975,570
5. Other operating expenses	2,222,979,298,269	2,265,141,938,362
1) Loss on valuation and sale of securities	9,657,653,112	4,696,757,244
Loss on sale of trading securities	-	-
Loss on sale of available-for-sale securities	9,657,653,112	4,696,757,244
Net unrealized gains and losses on available-for-sale securities	-	-
2) Fees paid	380,380,812	1,607,544,689
3) Contributions to unearned premium reserves	1,311,188,062,874	1,198,054,188,636
4) Contribution to reserves for outstanding claims	779,052,904,166	897,417,081,578
5) Loss on sale of derivatives	63,952,663,291	86,272,093,058
6) Loss on valuation of derivatives	24,039,258,741	14,876,181,260
7) Loss on FX risk insurance transactions	431,424,240	5,467,585,138
8) Loss on valuation of FX risk insurance	7,289,754,146	18,627,481,615
9) Loss on valuation of interest rate insurance	4,877,550,131	10,252,772,630
10) Loss on foreign currency	10,403,587,280	13,445,900,202
FX loss	10,227,662,582	457,352,095
Loss on foreign currency conversion	175,924,698	12,988,548,107

## 2. INCOME STATEMENT

The 46<sup>th</sup> term from January 1, 2014 to December 31, 2014  
The 45<sup>th</sup> term from January 1, 2013 to December 31, 2013

Trade insurance fund (Unit: KRW)

Particulars	The 46 <sup>th</sup> (current) term amount	The 45 <sup>th</sup> (previous) term amount
11) Debt recovery expenses	9,905,516,312	11,292,541,042
12) Bad debt expenses	-	696,319,585
13) Other operating expenses	1,800,543,164	2,435,491,685
6. Expenses for administration	92,816,138,746	90,000,631,484
1) Personnel expenses	46,061,299,494	43,733,828,601
2) Overhead expenses	35,331,856,467	36,149,978,586
3) Severance benefit expenses	4,301,166,420	3,782,432,650
4) Depreciations	4,766,116,465	3,978,691,747
5) Intangible asset depreciation	2,355,699,900	2,355,699,900
III. Income from operation	38,474,496,065	(282,406,743,057)
IV. Income outside of operation	7,507,789,415	6,419,327,647
1. Gain on disposal of tangible assets	400,765,228	44,682,285
2. Income from rent	3,709,735,829	3,969,065,372
3. Others	3,397,288,358	2,405,579,990
V. Non-operating expenses	2,306,750,500	241,509,621
1. Loss on disposal of tangible assets	1,560,441	2,281,970
2. Others	2,305,190,059	239,227,651
VI. Net gain before corporate tax	43,675,534,980	(276,228,925,031)
VII. Corporate tax expenses	-	-
VIII. Net gain during the term	43,675,534,980	(276,228,925,031)

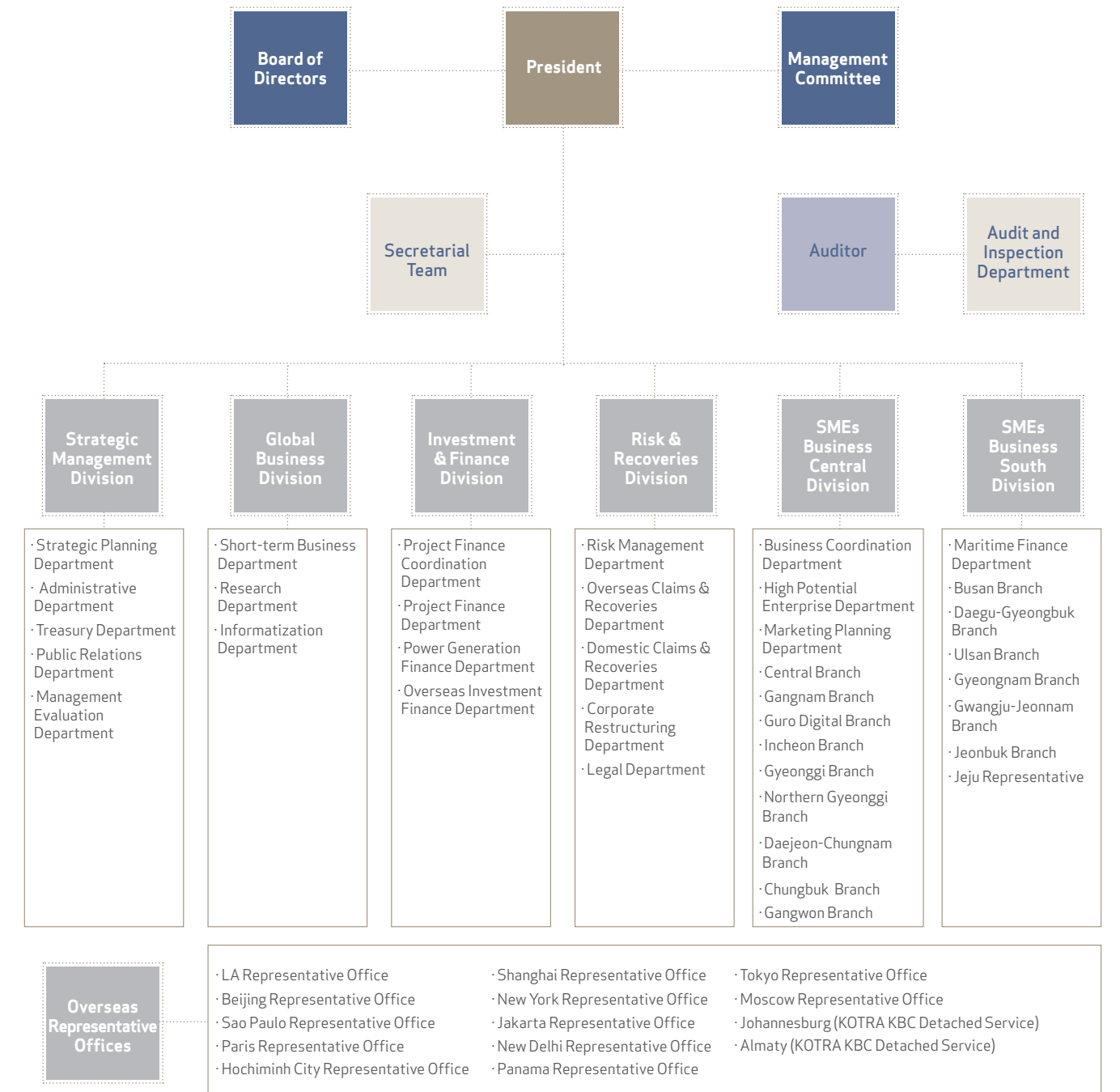
## 3. STATEMENT ON CHANGES IN CAPITAL

The 46<sup>th</sup> term from January 1, 2014 to December 31, 2014  
The 45<sup>th</sup> term from January 1, 2013 to December 31, 2013

Trade insurance fund (Unit: KRW)

Particulars	Contributions	Other comprehensive income/loss totals	Retained earnings (deficits)	Total
January 1, 2013 (beginning of the previous year)	2,129,824,481,888	(2,800,397,579)	(1,075,576,456,990)	1,051,447,627,319
Contributions	363,000,000,000	-	-	363,000,000,000
Loss on valuation of available-for-sale securities	-	(7,976,533,053)	-	(7,976,533,053)
Net loss during the term	-	-	(276,228,925,031)	(276,228,925,031)
December 31, 2013 (end of the previous year)	2,492,824,481,888	(10,776,930,632)	(1,351,805,382,021)	1,130,242,169,235
January 1, 2014 (beginning of the previous year)	2,492,824,481,888	(10,776,930,632)	(1,351,805,382,021)	1,130,242,169,235
Contributions	188,000,000,000	-	-	188,000,000,000
Loss protection	(140,000,000,000)	-	(140,000,000,000)	-
Gain on valuation of available-for-sale securities	-	14,151,754,490	-	14,151,754,490
Net income during the term	-	-	43,675,534,980	43,675,534,980
December 31, 2014 (end of the current year)	2,540,824,481,888	3,374,823,858	(1,168,129,847,041)	1,376,069,458,705

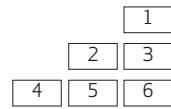
## Organization Chart





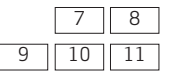
# Management

K-sure management is dedicated to support trade. Anchoring on expertise and know-how built in 22 years, each member of the management at K-sure gives the best to extend solid support to Korean enterprises striving for success.



- 1. KIM YOUNG-HAK  
Chairman & President
- 2. JUNG YOON-SUK  
Auditor
- 3. KIM YOUNG-SOO  
Deputy President
- 4. CHO NAM-YONG  
Executive Director
- 5. LIM YANG-HYUN  
Executive Director
- 6. YOO JE-NAM  
Executive Director

- 7. KIM CHUN-UOONG  
Non-Executive Director
- 8. KIM SOOK  
Non-Executive Director
- 9. KANG BYUNG-TAE  
Executive Director
- 10. OH KWANG-HEE  
Non-Executive Director
- 11. PARK YOUNG-OK  
Non-Executive Director



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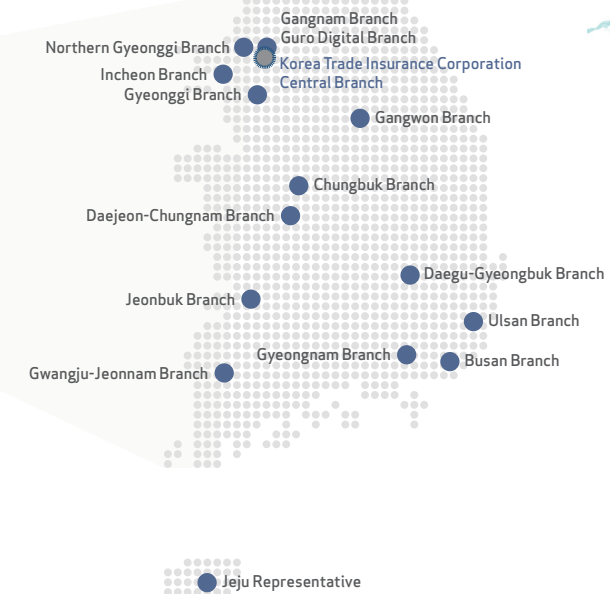
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