

The Most  
Trusted Name,  
**ksure**

**CONTENTS**

**Introduction of K-sure**

- 04. History
- 06. 2015 highlights
- 08. Message from the Chairman and President
- 10. The Role of K-sure in 2015
- 11. 2016 Trade Outlook and the Role of K-sure

**Major Business Achievements**

- 14. 2015 Business Performance and 2016 Business Plan
- 18. Business Volume and Outstanding Commitments
- 20. Short-term Export Credit Program
- 23. Medium-and Long-term(MLT) Export Credit Program
- 28. Export Credit Guarantee
- 30. Foreign Exchange Risk Insurance
- 32. Claims and Recoveries
- 36. Credit Research
- 38. Research on Country and Industry
- 39. Risk Management
- 41. International Relations

**K-sure and the Community**

- 46. Operation Aimed at Customer Satisfaction(CS)
- 47. CSR Activities
- 50. Ethical Management

**Financial Section**

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

**Organization**

- 57. Organization Chart
- 58. Management
- 60. Domestic and Overseas Network

# The Most Trusted Name, **Ksure**

Annual Report 2015

Korea Trade Insurance Corporation (hereinafter referred to as "K-sure") was established in July 1992 pursuant to the Trade Insurance Act. K-sure is an institute providing insurance for trade investment established under the Ministry of Trade, Industry & Energy (MOTIE). The objective of K-sure is to reinforce the national competitiveness of Korea by promoting trade and overseas investment as well as being responsible for the following roles:

- Operation of various trade insurance to guarantee risks arising from the export and import of goods and capital goods, overseas construction works and investment, foreign exchange risk management, export of cultural contents and services and other international transactions
- Provision of credit information services including credit research management and recover debts including receivables for Korean enterprises
- Realization of "a public corporation that Korean citizens trust" with the emphasis on the management of customer satisfaction through ethical management and innovative management such as integrity, transparency, sharing, and communications
- Underwriting of trade insurance within the limit of the agreement signed determined by the National Assembly annually based on the government's contribution amount with regards to the 'Trade Insurance Fund' and sound operation of the fund under the responsibility of the Corporation
- Expansion in the role of trade insurance that leads the stable trade and overseas investment, reinforces national competitiveness and develops the national economy through trade promotion

K-sure endeavors to develop various trade insurance products and high value-added services in order to contribute to Korea's exports and furthermore, to the vitalization of global trade by actively adapting to the changes in the international trade environment. As of the end of December 2015, K-sure operates a headquarter, 16 domestic branches and 12 representative offices with 2 overseas representatives in major export focus cities and has 533 employees in total.

## 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

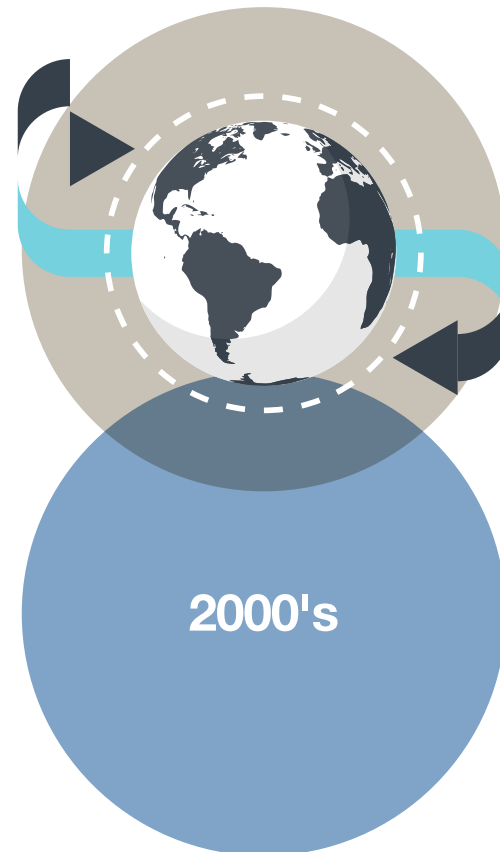
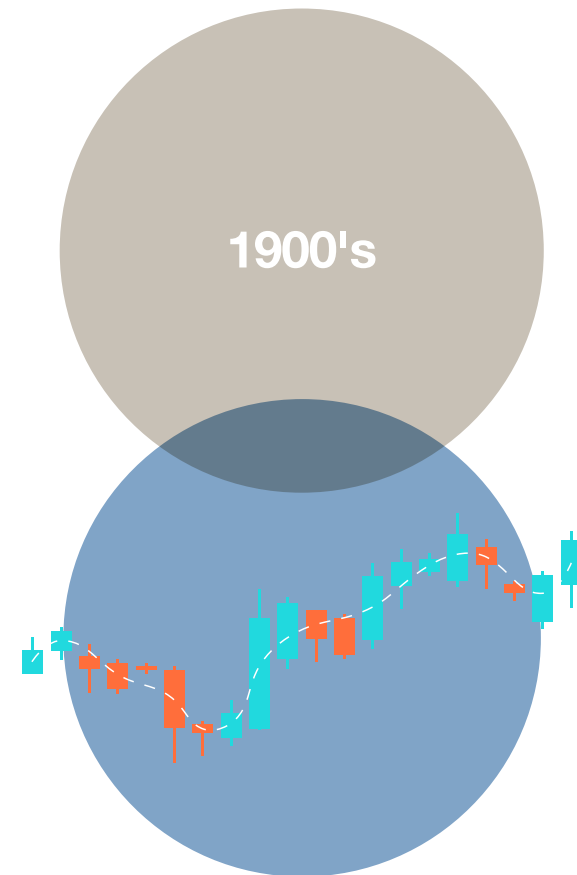
We focus on inclusive development by promoting communication and expanding sharing with our clients and people in our community. We continue to pursue social contributions for community development, knowledge sharing to help the weak, donations for a stable community economy, regular volunteering and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



# History

## 1900's

- Dec 1968** The Export Insurance Act enacted and proclaimed.
- Feb 1969** Korean Reinsurance Company engaged in export credit insurance agency services.
- Jan 1977** Korea Exim Bank engaged in export credit insurance agency services.
- Jan 1979** The management institution for export credit insurance changed (The Ministry of Finance → The Ministry of Commerce and Industry).
- Jul 1992** Korea Export Insurance Corporation (KEIC) established as the management institution for export credit insurance.
- Nov 1992** Export Credit Guarantee implemented.
- Nov 1994** Short-Term Export Credit Insurance, Agro-Fisheries Export Insurance and Market Development Insurance implemented.
- Dec 1996** Member of OECD Export Credit Group (ECG) and Group of Participants (GOP) Committee.

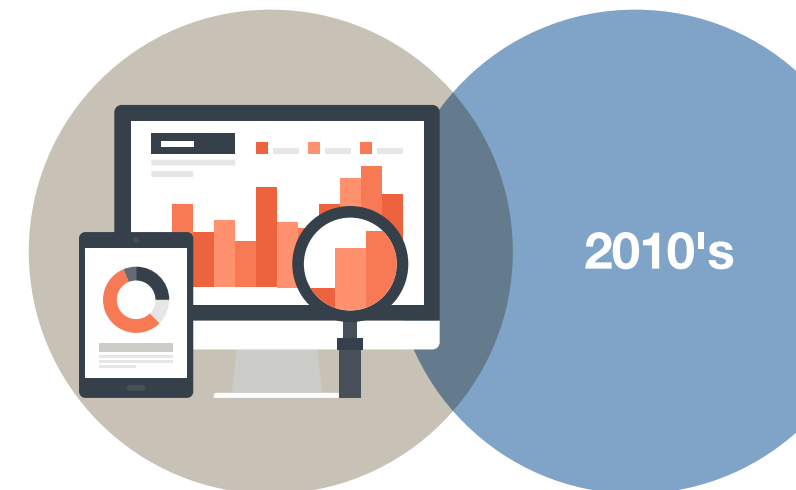


## 2000's

- Feb 2000** Export credit insurance underwriting performance exceeded KRW 10 trillion.
- Feb 2000** Foreign Exchange Risk Insurance introduced.
- Jul 2005** Knowledge Service Export Credit Insurance introduced.
- Sept 2005** Resource development system under Overseas Investment Insurance introduced.
- Nov 2006** Overseas Resources Development Fund Insurance introduced.
- Dec 2006** Overseas Business Financing Insurance introduced.
- Dec 2007** Cultural Contents Export Insurance introduced.
- Dec 2007** Overseas Marketing Insurance introduced.
- Apr 2008** SME Plus+ Insurance introduced.
- Jul 2008** Agro-Fisheries Export Package Insurance introduced.
- Sept 2008** Export credit insurance underwriting performance exceeded KRW 100 trillion.
- Dec 2008** Comprehensive Overseas Resource Development Insurance introduced.
- Apr 2009** Export Financing Facility (EFF) introduced.
- May 2009** Opening of Customer Service Center.

## 2010's

- Jul 2010** KEIC newly established as Korea Trade Insurance Corporation (K-sure), and NEW VISION 2020 proclaimed.
- Jan 2012** The Anti-Corruption & Civil Rights Commission evaluated K-sure as one of the most transparent institutions in Korea.
- Dec 2012** Export credit insurance underwriting performance exceeded KRW 202 trillion.
- Jan 2013** Awarded with "Global Multilateral of the year 2012" designated by Project Finance International.
- Mar 2013** SME Plus+ Group Insurance introduced.
- Sept 2014** The Ship Finance Department renamed as Marine Finance Department and relocated to the Marine Finance Center in Busan.
- Dec 2014** Bond Insurance for Capital Markets launched.
- May 2015** Support Center for Foreign Exchange Risk Management established.



## 2015 Highlights

### Reinforcement of capacity for the globalization of SMEs

#### Support for SMEs to enter the overseas markets by building an export safety network (year-round)

Discovered seven new institutions for group insurance including the Small and Medium Business Administration (SMBA) and the Small&Medium Business Corporation (SBC) and expanded the base for usage. Relieve coverage eligibility and magnify indemnification limits to provide more benefits to more SMEs.

- Coverage qualification : exports of USD 5 million or less → USD 50 million or less
- Indemnification limit : USD300,000 → USD500,000

#### Establishment of on-site centered supporting organization (July)

With the establishment of the Credit Underwriting Department, the functions of domestic branches were channelled into on-site centered sales and the departments responsible for on-site management at the head office were branched to better reflect site opinions on the business plan and objectives.

#### Newly established a dedicated organization for special support to export companies with secured export opportunities (December)

With the new establishment of the Special Underwriting Unit, broke away from the past evaluation focused on export performance and supported SMEs centered on growth potentials such as business performance and technology.

The number of enterprises qualified to receive special underwriting support increased twice and the range of the products used to cover these SMEs expanded from Export Credit Guarantee (Pre-shipment) to Export Credit Guarantee (Nego), and Export Bond Insurance, completing support equivalent to KRW 50.4 billion.



### Reinforcement of risk management system for substantial management

#### Newly established the Credit Underwriting Department and allocated independent Credit Review Department to strengthen risk management following large claim cases (July)

The Credit Underwriting Department, a special evaluation organization, was newly established under the Global Business Division with regards to new cover and credit increases under the short-term financial program with the goal of reinforcing underwriting expertise.

The Credit Review Team expanded its credit review capacity and became an independent Credit Review Department, assigned with the independence over its credit review work related to credit rating, underwriting, and risk management.

#### Expansion and reorganization of the Credit Underwriting Department into 2 within each regional headquarter to scale up the subjects of credit reviews (December)

The Credit Review Department which conducts document-based reviews expanded and newly established within each regional headquarter to secure neutrality when reviewing credits.

Senior credit reviewers with expertise allocated to this regional headquarters' Credit Review Department to foster the Department as the pivot pooling credit review expertise and know-how.

### Reinforcement of bid-winning competitiveness by expanding project financing

#### Development of new growth engines for the Korean economy through preemptive financing support (Year-round)

Aggressive support for emerging markets by expressing its intent on the provision of support for these markets. Ignite new growth engine through customized support considering the characteristics and demands per industry after screening the promising industries with regards to future growth industries.

- Support for emerging markets : Expressed its intent for preemptive support on eight projects in Iran in '15 and support has been prepared to enable the project to be executed immediately upon the lift of sanction.
- Support for new growth engines : Aggressive support for future growth engines including the infrastructure and defense industries including USD 90 million support for the construction of subway infrastructure in Turkey and USD 80 million support for the reconstruction of air force base in Iraq and others.

#### Main events and awards

- MOU for trade insurance credit support with Banco Central de Cuba (BCC) and Exterior de Cuba (BEC) (February 9)
- MOU with Kuwait Petroleum Corporation (KPC) (March 2)
- MOU with Islamic Corporation for the Insurance of Investments and Export Credit (ICIEC) (March 4)
- Volunteer works under 1 company 1 village with rural sister relationship in the first half of '15 during spring planting season (April 9)
- MOU with TVEB of Turkmenistan (April 13)
- MOU with Shinhan Bank of Korea for export promotion of SMEs (April 14)
- MOU with Santander Bank of Spain (April 21)
- MOU with ABGF of Brazil, the export credit agency (April 23)
- MOU with BNDES of Brazil, the development bank (April 24)
- MOU with Industrial Commercial bank (ICBC) of China (May 28)
- MOU with Credit Agricole of France (June 1)
- MOU with Korean Businesswomen's Association (June 4)

### Supply of financing at the right time with the establishment of a platform for the provision of tailored export credit (Year-round)

For a stable provision of export credits for those projects awarded to Korean enterprises, completely resolve the funding gap which may arise in case of insufficient financial procurement capability of the ordering organization with the signing of a USD 10 billion on-lending guarantee agreement with global commercial banks.

To boost the funding capacity of domestic banks for overseas projects, create an overseas SOC fund worth USD 2.1 billion and expand the participation of Korean banks in K-sure backed loans to promote the globalization of domestic banks and strengthen the contract winning capacity of Korean construction companies.

- MOU with Korea Customs Service for the establishment of the order in trade and currency exchange transactions and the support of exporters and importers (July 10)
- Agreement with 6 domestic banks for SOC funding support abroad (August 17)
- MOU with Efic of Australia (August 25)
- MOU with Australian and New Zealand Bank (ANZ) (August 26)
- MOU with ING (September 15)
- MOU with Chungnam Creative Economy and Innovation Center for the growth and globalization of SME exporters (September 22)
- MOU with Kuwait Petroleum Corporation (KPC) worth USD 6 billion (October 12)
- MOU with Zurich North America (October 14)
- MOU with KOTRA (October 27)
- MOU with Eximbanka SR of the Slovak Republic (December 1)
- MOU with Czechinvest of the Czech Republic (December 2)
- Agreement with Junior Achievement Korea to support youth training on economy and business (December 15)



## Message from the Chairman and President

### Dear customers,

2015 has been a meaningful year for Korea. Despite falling global exports due to low oil prices, a slowdown deepening in emerging economies, and other challenging conditions, Korea ranked sixth in global exports and was the world's eighth largest trading nation. These achievements were possible thanks to the joint efforts of its people, enterprises, and government. It was also a fruitful year for Korea as it secured growth engines for the coming years through the ratification of the Korea-China FTA, the fostering of next-generation industries, and other initiatives.

The year of 2015 has been significant and challenging for K-sure as well. To overcome a tough external climate, we bolstered trade insurance support for SMEs that "epitomize the future of Korea's exports". We also made efforts to establish financial networks at home and abroad in order to lead the current mega-trend seen in overseas projects where "financing precedes contracts". Moreover, various measures were implemented to back the development of emerging economies, which are "next-generation markets" for Korean enterprises.

One of the measures we implemented in 2015 to aid these enterprises was the promotion of global hidden champions by escalating support for SMEs that stand at the center of the Korean economy. Our SME support increased 8.4% YoY to KRW 41.7 trillion in 2015, marking the first year that SME support volume exceeded KRW 40 trillion. The number of SMEs using trade insurance also jumped to 15,295 companies, an increase of 8.9% from the previous year. This figure reflects we playing the staunch role of a policy-based financial institution, particularly when Korean enterprises faced additional burdens due to falling exports under a fragile global economy.



## Risk is opportunity: Our energy is focused on building trade insurance capacity to develop future export engines in a difficult global environment

Focus was also placed on strategic support through the "Export Hope Guarantee" product and the "Trade Insurance Special Support" program, introduced to foster domestic SMEs and export startups and transform them into global hidden champions. Moreover, the "K-sure FX Risk Management Center" was set up to help Korean SMEs manage their FX risk systematically, and to expand the customer pool using FX risk insurance, as SMEs faced tougher challenges created by interest rate hikes by the U.S. Federal Reserve as well as volatile FX fluctuations.

Secondly, K-sure has been building a network with financial institutions and various other market participants to proactively deal with the aforementioned current mega-trend where financing precedes contracts in overseas project bids. Moreover, USD 10 billion in "on-guarantee limits" were setup with five global commercial banks that have strong presences in different parts of the world. Meanwhile, "MOUs to finance overseas SOC projects" were signed with six domestic banks. Additionally, a multi-institutional network was constructed through the conclusion of MOUs with a wide array of ECAs and partnerships with major sponsors from the Middle East, Southeast Asia, Latin America, and other regions.

Thirdly, capturing next-generation export engines through the pioneering of new markets is one of the most important missions of K-sure as a policy-based financial institution. We have backed Korean firms to seize new markets through strategic coping in volatile global situations. An MOU on the provision of export credits extending a 60 million euro credit was set up jointly with the central and foreign exchange banks of Cuba in February 2015, and conditions for supporting Iran's trade insurance was eased in May in line with the tentative conclusion of nuclear negotiations with Iran. As a result, trade insurance support for Cuba and Iran soared from KRW 5.5 billion in 2014 to KRW 186.2 billion in 2015.

It has also been a year when we established a risk management platform through a "sustainable growth" paradigm, going beyond mere external growth. Credit Underwriting and Review Departments were set up to solely manage risk. The Audit and Inspection Department was also augmented and reorganized for better internal control. In short, these endeavors were taken to eliminate risk factors within the agency that inhibit sustainable development. Moreover, an MOU was concluded with Korea Customs Service to block nefarious trade and foreign exchange transactions.

The term "export cliff" has been used to describe the difficult global export environment of 2016. As such, we plan to concentrate our energy on the globalization of SMEs, on proactive support for emerging and strategic markets, promotion of future industries, and customized support for overseas projects. We at K-sure shall pursue corporate social responsibility and innovation with the goal of becoming a public corporation that is trusted by the people of Korea and its clients.

We ask for your warm encouragement and support.  
Thank you very much.

Chairman and President  
Korea Trade Insurance Corporation

Kim Young-hak

## The Role of K-sure in 2015

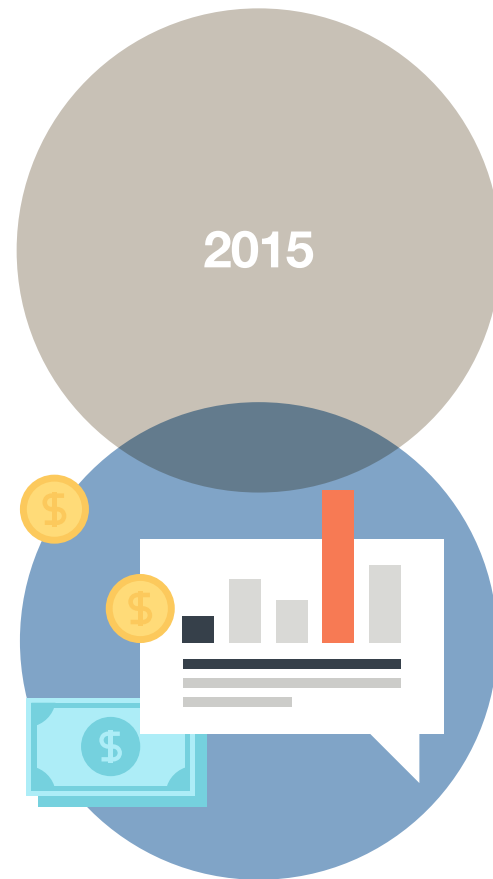
Despite the moderate recoveries of advanced economies, including the U.S., the Eurozone, and Japan, the global economy experienced low growth in 2015 as China, Brazil, and other major emerging markets stagnated.

As for major economies, the U.S. showed a modest recovery thanks to increased domestic consumption with improved employment, notwithstanding a drop in oil price and a strong dollar. Gradual recovery was also seen in the Eurozone as exports expanded due to the adoption of quantitative easing by the European Central Bank, a weak euro, and an enhanced environment for consumption under low oil prices. As for Japan, although negative growth rates continued from the second quarter into the third, signs of consumption recovery were seen in the third quarter as household consumption turned positive. However, despite several cuts in interest rates and reserve ratios, as well as other expansionary macroeconomic policies implemented by its government, growth stagnation continued in China owing to falling exports, a deteriorating manufacturing sector, and excessive correction in the infrastructure sector.

In the case of Korea, even though the country could not attain the one trillion-dollar trade mark that had been reached for three consecutive years beginning in 2011, it stood as the world's sixth largest exporter and the eighth largest trading nation in 2015, thanks to initiatives undertaken by its people, enterprises and government.

Notwithstanding the downturn in emerging economies, and other difficult conditions related to global trade, SMEs' bolstered competitiveness led exports. This was a result of SMEs' export structure becoming sound, as export growth was higher in SMEs compared to large enterprises, and of the diversification of the range of SME exports from advanced technology to medicine and food.

Moreover, the government's initiatives supporting active SME development of emerging markets, and the conclusion of FTAs with other countries contributed in part to the promotion of trade. As of December 2015, Korea ratified 14 FTAs with 51 nations around the world, with 60% of its total trade coming from these FTAs. The number of SMEs benefitting from these agreements has been on the rise through this tailored government support.



## 2016 Trade Outlook and the Role of K-sure

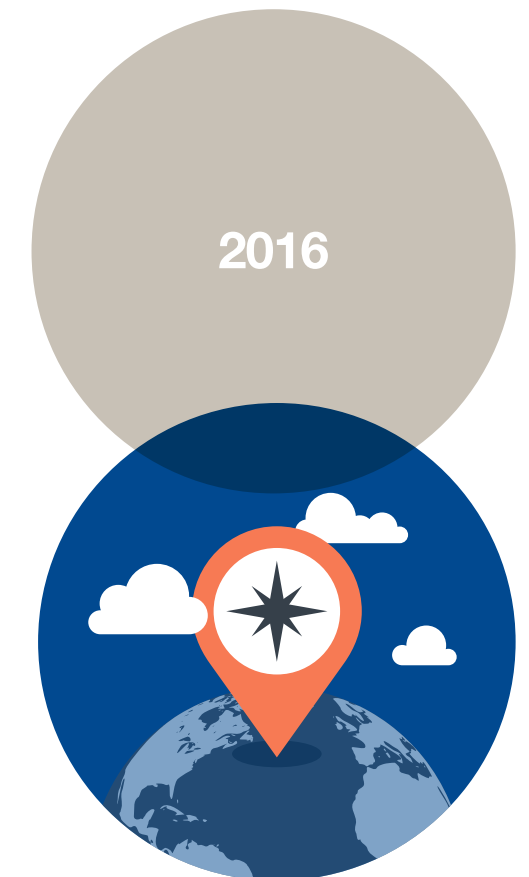
In 2016, the global economy is expected to recover slowly, centering on advanced economies and weak recovery in global trade. Increasing demand in the U.S. and expansionary fiscal policies by the Eurozone and Japan would boost global trade, which in turn, would have a positive impact on Korea's exports as well.

Policy effects from expansionary fiscal expenditures, investment promotion, and the ratification of FTAs with China and Vietnam are expected to help boost Korea's exports by 2.1% YoY with USD 90 billion in trade surplus.

Nonetheless, downside risks still remain, including fragile export performance in the petrochemical sector due to continuing low oil prices, a deepening slowdown in emerging countries entailing U.S. interest hikes, and other factors.

Designating job creation as a top policy agenda, the government plans to expand growth and investment by fostering 10,000 SME exporters by 2017, through measures such as the discovery of promising exporters, provision of tailored support to SMEs, and active support for export startups that are developing overseas markets.

In line with the government's initiatives, we plan to provide active support for emerging market development, to lead the globalization of SMEs, and to expand project finance support in the plant and shipbuilding sectors, among others, with the goal of fulfilling its role as the export credit agency (ECA) representing Korea.





# 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.

## 2015 Business Performance and 2016 Business Plan

### 2015 Business Performance

#### Trade insurance support amounting to KRW 168.1 trillion and support performance for SME expanded significantly

We provided KRW 168.1 trillion support and among which, KRW 41.7 trillion was directed to SMEs, the biggest in its history, reinforcing its role as an export safety network for SMEs.

By increasing the group insurance to reinforce export competitiveness of SMEs and establishing an export safety network for small firms, a sum of KRW 12.8 trillion provided as support. Moreover, the special support evaluating export startups with high growth potentials and SMEs with soaring exports centered on business values was increased by 34 times compared to the previous year, considering SMEs facing difficulties in exporting due to the lack of export credit support despite having secured export opportunities.

Furthermore, various efforts were made to reinforce the bid winning competitiveness of Korean firms for overseas projects. An on-guarantee agreement worth USD 10 billion was signed with global commercial banks and a USD 2.1 billion SOC fund was set up with domestic banks. On the other hand, multi-directional cooperation beyond private financing and policy-based financing were strengthened through joint guarantee system with policy-based financial institutions and joint declaration to eradicate underbidding practices.

Moreover, our employees visited new emerging markets with insufficient infrastructure for credit information to continue the operation of Mobile K-Office to conduct credit survey and to extend credits to local importers through this outreach program. And with the CEO visiting Iran, Cuba, and other promising markets in person to build a network of cooperation with financial ministries to extend credits, various efforts were put in.



#### Advancement of the risk management system

For a stable operation of the Trade Insurance Fund, we oriented towards quantitative expansion while pursuing qualitative improvements. After determining the permissible standard of risk, the underwriting target and the underwriting portfolio that the fund could handle were set.

The management system of the total amount of risk in domestic enterprises was improved and focus was placed on risk management on the pretext of assuming the worst case scenarios against predicted losses. Multi-directional efforts were made for risk management such as establishing a system for extracting window dressing accounts to evaluate credit ratings of different enterprises in detail, conducting special monitoring on large transactions and reinforcing site visits.

#### Reinforcement of competency for claims and recoveries

Cooperation for claim cases was reinforced with Korea Trade-Investment Promotion Agency (KOTRA) to boost the efficiency in the claims task while mutual cooperation was pursued with Korea Customs Service to filter iniquitous transactions.

The ambiguous terms and conditions identified during the process of settling claims were improved. On-site focused training utilizing the "Trade Insurance Academy" was reinforced so that exporters would not suffer disadvantages during claims processes due to the lack of trade insurance-related information.

More recovery cases were consigned with regards to outstanding collection agencies abroad through evaluation by region and country. Information sharing was reinforced between representative offices and collection agencies to increase the recovery of unsettled receivables through the selection of and targeting specific accounts.

#### Establishment of a stable business platform through organizational innovation

The sales function of domestic branches was strengthened to help alleviate export-related difficulties faced by SMEs with the focus on trade insurance marketing. Moreover, the Credit Underwriting Department was set up under each of the two Regional Headquarters to reinforce expertise and neutrality of the underwriting. Simultaneously, the credit underwriting and review functions were expanded and restructured for a stable operation of the trade insurance business.



## 2016 Business Plan

Amidst the smooth recovery of economy in advanced countries centered on USA from the perspective of the 2016 world economy, the slowdown in China's growth rate as well as the lagging growth in important resource-rich countries such as Brazil and Russia are expected to contribute to the overall growth of approximately 3.0~3.6%.

Although a slow consumption-led recovery is expected in 2016 for the Korean economy such as expansionary macroeconomic policies, there is also the possibility that the drop in exports following the global consumption decrease would hinder economic recovery. However, there is room for new opportunities such as the lift of sanction in Iran, the ratification of Korea-China FTA, and the inauguration of the AIIB.

The government has prepared and implemented various support measures to cope with the recent export woes, among which the role of K-sure is becoming highlighted more than before since the trade insurance system is an effective policy tool for promoting export.

On the other hand, in line with the government's strong demand for boosting efficiencies and social responsibilities of public agencies after the announcement of the normalization plans for state-owned institutions in 2014, we have been striving to sincerely execute the social responsibilities and expand efficiency by promoting the soundness of the 'Trade Insurance Fund', creating jobs through the peak wage system and strengthening ethical management.

With "export recovery" being the top priority for K-sure, we have escalated its total target business volume to KRW 196 trillion for 2016, an increase of KRW 27.9 trillion from the previous year.

Particularly, the target volume for SME support has been set at KRW 46.5 trillion, an increase of KRW 4.8 trillion from KRW 41.7 trillion in 2015, with the plan to foster SMEs to become leaders in a creative economy.



Moreover, the MLT business volume for the plant, shipbuilding, and other medium and long-term project sectors has been set at KRW 14.7 trillion, an increase of KRW 2.9 trillion from KRW 11.8 trillion in 2015 in order to boost the competitiveness of Korean enterprises in winning more projects abroad. On the other hand, we will strive to improve the soundness of the Trade Insurance Fund by restructuring the business portfolio while taking into account risks from each insurance/guarantee product.

### To examine the major work execution plan of trade insurance in 2016 in detail,

**First**, we will reinforce the exporting capacity of SMEs by fostering global hidden champions.

The environment conducive to SMEs for easy access to trade insurance will be created by actively identifying those SMEs to be protected under SMEs Plus+ Group Insurance.

The supply of "Export Hope Insurance (Guarantee)" and "Special Support" will be drastically increased, in which the former is used to create a solid export platform for export startups and domestic firms, while the latter is granted upon evaluating the particular company's export growth and business potential. Moreover, on-site management will be strengthened by cooperating with other export related institutions and information related to overseas markets and projects will be consolidated to improve the quality of services provided to Korean exporters.

One-stop FX risk management services will be continued through the Foreign Exchange Risk Center opened last year, and tailored one-to-one consulting and various public relations channels will be diversified to boost accessibility to Foreign Exchange Risk Insurance.

**Second**, trade insurance support will be significantly reinforced toward emerging markets and future industries to overcome slump in the existing major export markets and industries.



To advance into the Iranian and Cuban markets that have opened its doors to the world recently with the lifting of international sanctions, cooperative relationships that had been forged since last year will be continued to facilitate domestic exporters to obtain export financing.

Promising enterprises in the service, consumer goods, and cultural contents sectors will be actively identified to transform them into exporters with the goal of fostering growth engines, i.e. future industries.

**Third**, along with infrastructure markets deemed to generate new opportunities with the establishment of the AIIB, tailored support will be provided continuously for overseas projects including in the plant and shipbuilding industries that had been hit hard by oil glut.

K-sure-backed credit limits will be provided in advance for those major sponsors abroad to help Korean contractors to win projects for the goal of Korean firms regaining contract competitiveness in overseas markets.

Candidates for overseas investment insurance will be expanded to include investment groups such as infrastructure funds to meet an increasing investment supply in Asian and emerging markets with the formation of the AIIB, in which cooperation will be strengthened with domestic pension funds and securities firms seeking new investment destinations.

**Fourth**, risk management will be given full attention with a larger target business volume.

Special monitoring will be expanded to detect export scams in advance through the development with regards to companies with abnormal signs and preemptive risk management such as new development of pre-monitoring indices per insurance product and the expansion of pre-monitoring targets will be sought to improve the soundness of the Trade Insurance Fund.

**Fifth**, a competent organization centered on efficiency will be realized.

Efforts will be placed on stabilizing the organization restructured at the end of last year when the credit underwriting and marketing businesses were separated to boost work efficiency. The wage system based on work and performance will be reorganized to reinforce competition within the organization and efforts will be made to transform K-sure into a competent organization centered on performance remunerations.

We have duly performed its role of boosting export competitiveness of Korean firms despite the difficulties such as the past global financial crisis. Despite the global faltering demand in 2015 and other negative circumstances around the world, it has achieved a record volume of support to SMEs with KRW 41.7 trillion, helping Korean firms develop overseas markets and contributing to the development of the Korean economy.

For 2016, corporation-wide efforts will be channelled into export expansion to overcome the difficult global situations while reinforcing business competitiveness through risk management and business efficiency in order for our economy regain USD 1 trillion of national trade, ultimately reinforcing its role as a reliable trade safety network.



# Business Volume and Outstanding Commitments

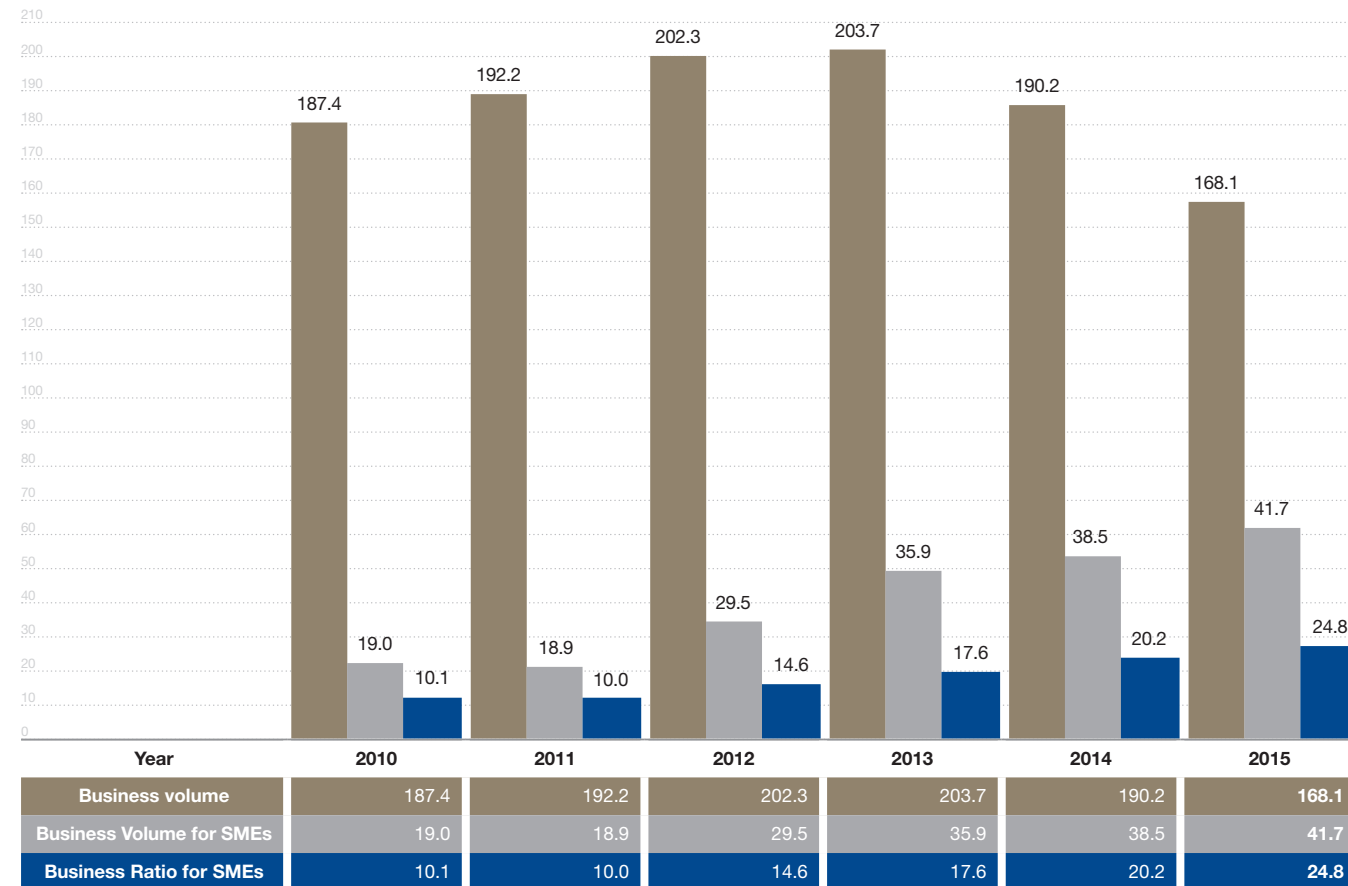
## BUSINESS VOLUME

The total exports of Korea at the end of 2015 stood at USD 527.2 billion, a 7.9% fall YoY and due to a weakened global economy and declining trade growth, falling oil and other commodity prices, etc. Despite these challenges, we provided active support for the globalization of SMEs and the expansion of exports through “SME Plus Group Insurance”, “Export Hope Guarantee”, and “Export Startup Hope Insurance”, as well as other active measures.

Thanks to these efforts, SME support, which had been climbing steadily since 2011, also increased in 2015 despite the total business volume falling 11.6% YoY to KRW 168.1 trillion.

### Business Volume

(Unit: KRW trillion, %)



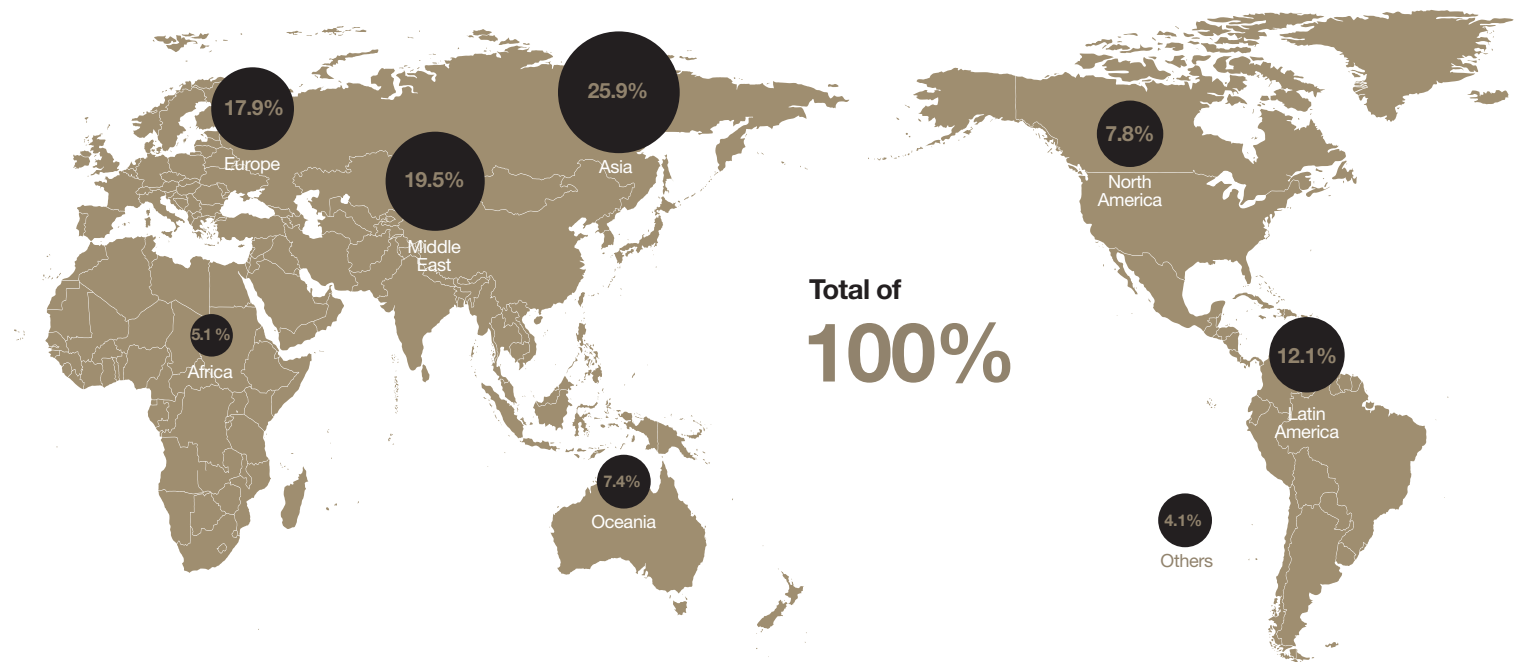
## OUTSTANDING COMMITMENTS

Outstanding commitments at the end of 2015 showed a 4.3% drop YoY at KRW 89.5 trillion. As for outstanding commitments by region, they were the highest in Asia, followed by the Middle East and Europe. Notably, a jump in business volume was seen in Latin America and Africa, but dropped in other regions.

### Outstanding commitments by Region (as of end of 2015)

(Unit: KRW trillion, %)

Region	Outstanding commitments	Ratio	Rate of change ('15/'14)
Asia	23.2	25.9	▲6.7
Middle East	17.5	19.5	▲6.3
Europe	16.1	17.9	▲5.8
North America	7.0	7.8	▲17.0
Latin America	10.9	12.1	22.1
Africa	4.6	5.1	4.9
Oceania	6.6	7.4	0.3
Others	3.7	4.1	▲20.2
<b>Total</b>	<b>89.5</b>	<b>100.0</b>	<b>▲4.3</b>



# Short-term Export Credit Program

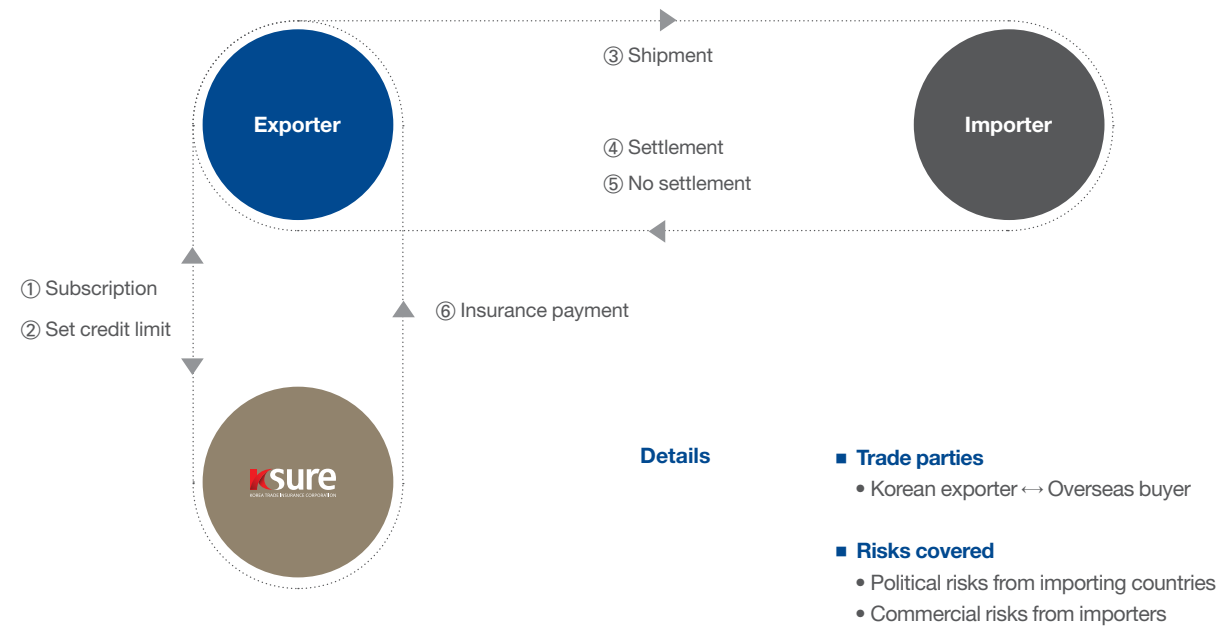


## OUTLINE

This Short-term Export Credit Insurance program covers losses of exporters or financial institutions that provide export credits but cannot recover their export proceeds from importers (issuing banks in the case of L/C-based transactions) in those export transactions with two year or less repayment periods. The risks covered include commercial risks posed by importers such as export contract cancellation, bankruptcy, payment default, or payment refusal. Political risks in the importing countries including war, revolt, currency inconvertibility, etc., are also covered.

Exporters can develop new overseas markets through transactions on credit or discover new buyers since they can be indemnified on those losses coming from the non-payment risk posed by overseas buyers, and financial institutions can expand trade financing on those high risk transactions using our cover as security.

### Structure of Short-Term Export Insurance (Post-Shipment)



## SHORT-TERM PROGRAM BY FINANCING FUNCTION

The short-term program can be divided based on several factors, but the policyholder-based method function, depending on whether the particular product has financing or non-financing, (pure-cover) is most commonly used to classify different products under the program.

	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 (EEF), ST Export Insurance (Forfeiting)

## SHORT-TERM PROGRAM BY OPERATION METHOD

The ST Export Credit Insurance program can also be classified by the operation method. The scheduled cover allows the policyholder to pick and choose specific transactions to be covered; usually those deemed to have high risk. On the other hand, under blanket insurance, the policyholder (the exporter using our insurance) and we jointly set the scope of export transactions to be covered ahead of time including export products and settlement terms.

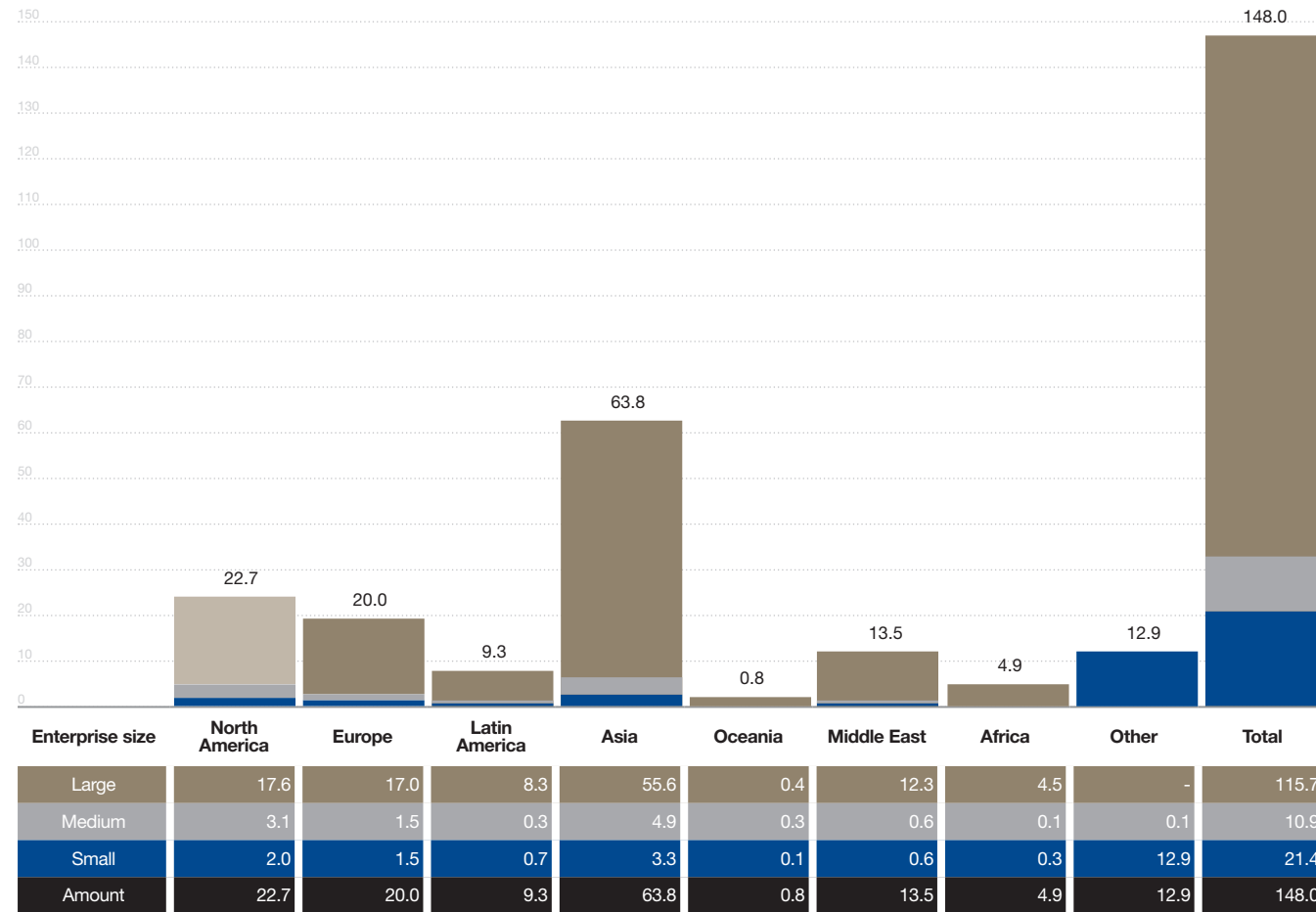
### Comparison between blanket and scheduled cover

	Blanket insurance	Scheduled 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 for only those high risk transactions
	Insurer (K-sure) • Good for risk spread	• Can refuse to cover those high risk transactions
Disadvantages	Policyholder (Exporter) • Cover also required for low risk transactions	• Difficulty obtaining cover on high risk transactions • Higher premium than blanket cover
	Insurer (K-sure) • Obligated to cover even those high risk transactions	• Risk spread difficult

## 2015 SHORT-TERM PROGRAM BUSINESS PERFORMANCE

ST business volume by region and by enterprise size

(Unit: KRW 1 tril)



The total business volume coming from the short-term program dropped 13% YoY to KRW 148 trillion in 2015. The contributing factors included the global economic slump (due to continuing low oil prices), a flagging Chinese economy, debt crises in southern Europe, and other factors. Korean exports fell, in addition to credit adjustments and other tougher risk management measures taken by faltering Latin American, CIS, and other emerging economies. Nevertheless, the ST volume increased for SMEs to 16% YoY despite these challenging conditions of the export environment.

By region, ST business volume decreased YoY for North America by 29% (KRW 22.7 trillion) from reduced exports to the U.S. and Canada, Europe by 22% (KRW 20 trillion) due to continued political and economic instabilities in the region, and Asia by 14% (KRW 63.8 trillion) due mainly to the slowdown of the Chinese economy.

By industry, the fall in ST business YoY was 26% for machinery, 19% for chemicals, 16% for electrical and electronic goods, and 7% for metal products.

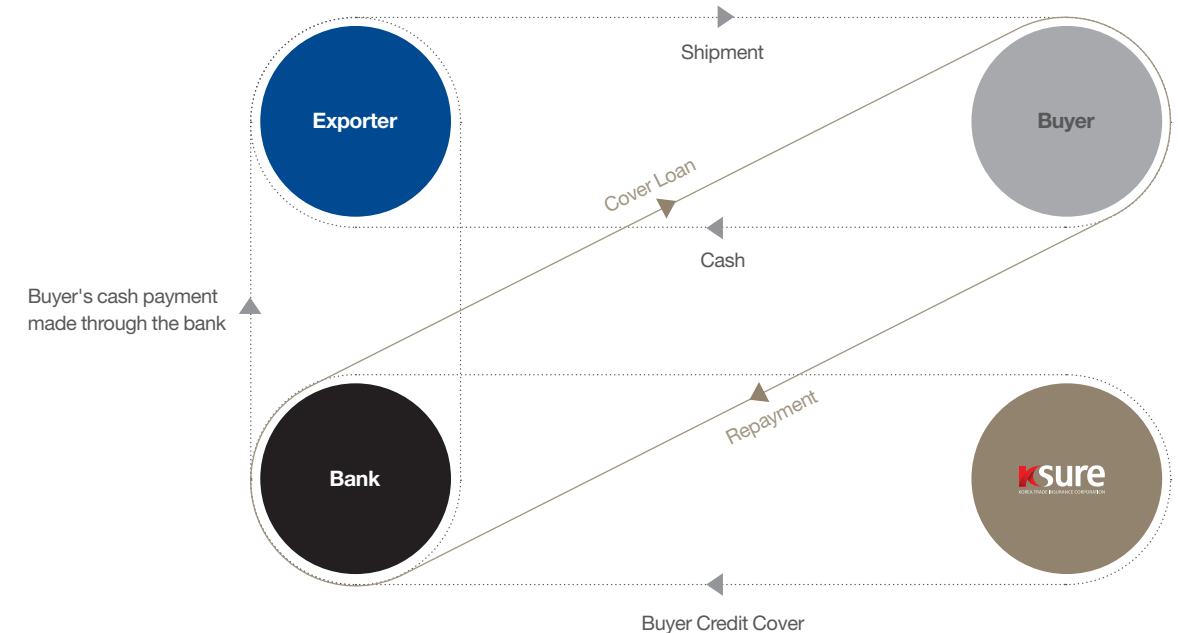
## Medium-and Long-term(MLT) Export Credit Program

### PROGRAM OVERVIEW

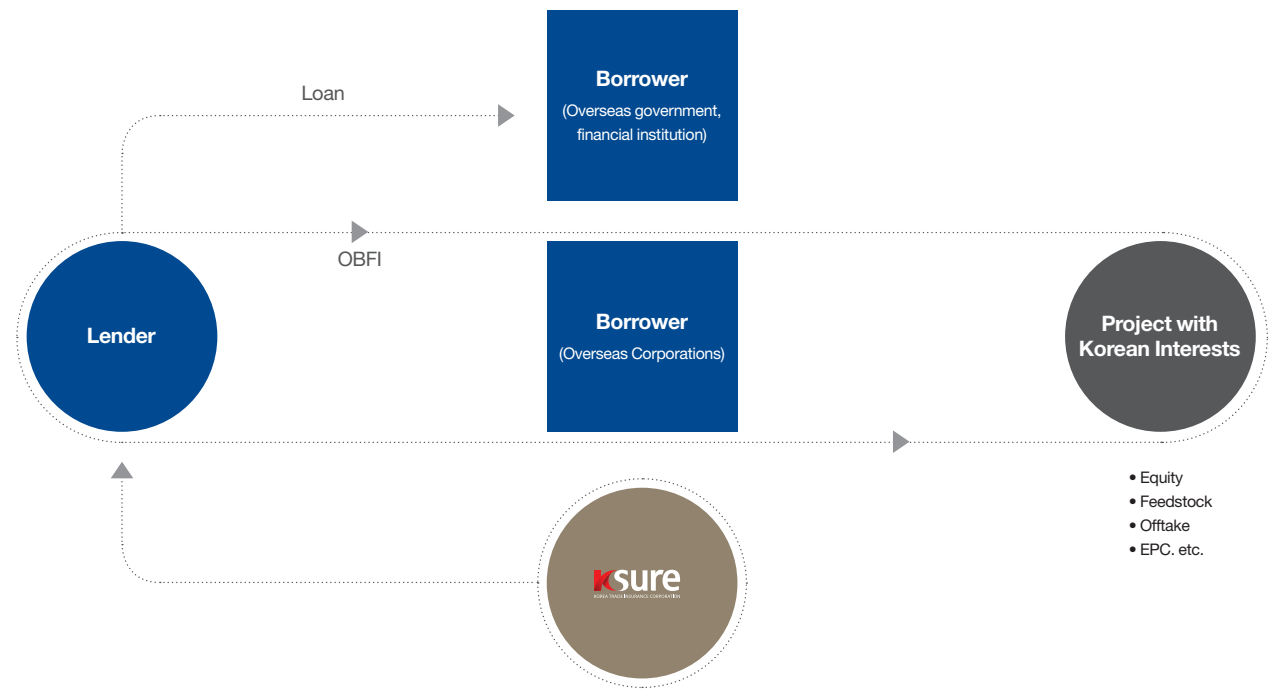
As for MLT export transactions, the majority is export transactions of capital industrial facilities and is characterized by large contract amounts, protracted construction and repayment periods and complex financing and transaction structures. In such a case, exporters prefer to secure export proceeds when they produce goods or make shipment in order to reduce financial burden, rather than receiving export proceeds over a long period of time. Following such, buyers generally procure the necessary capital at the discretion of the buyer's credit financing and this is when the government institution of the exporting country guarantees an export credit granted by a financial institution to buyers to facilitate export lending and to boost the stability of loan recovery.

The MLT products offered by us can be classified into two categories: the financial and non-financial/pure cover products. The financial products include MLT Export Credit Insurance, Overseas Business Financing Insurance, Export Bond Insurance, and Interest Rate Risk Insurance. They are used to support financing needed to export capital goods or investors/contractors to pursue overseas businesses. The second category is the non-financing or pure cover products used to cover risks in export receivables and overseas investments. They include Overseas Construction Works Insurance, Overseas Investment Insurance, and Service Credit Insurance.

### Structure of Buyer's Credit Insurance



Structure of Overseas Business Financing Insurance (OBFI)



With MLT Export Credit Insurance and Overseas Business Financing Insurance being the two flagship products of K-sure, the former is used to cover the non-payment risk of principal and interest for those financial contracts with two years or longer tenures, while the latter also covers the same risk but for Korean investments abroad.

These are the two pillars of the MLT program that complements financing from international financial markets to eventually promote the exportation of capital goods for the building of vessels and overseas plants and to support Korean firms develop markets and resources abroad.

Korean firms are expanding their presence abroad based on their accumulated business know-how and improved technological competitiveness. The globalization of Korean enterprises is expected to be accelerated with an increasing demand for infrastructure in Asian, Latin American, and other emerging regions along with the penetration of overseas markets by more Korean construction firms. Thus, the demand of ECA covered loans will continue to increase with a more emphasis on the MLT program of K-sure.

CURRENT STATUS OF OPERATION IN 2015 AND THE SYSTEM IMPROVEMENT

The MLT financial market in 2015 was daunted with the drop in contract orders following the plunge of oil prices, instability in the Middle East and staggering growth in the global economy. The domestic EPC contractors selectively participating in projects after witnessing the profitability drop caused by intensifying competition among rival countries due to weak Yen and Euro, in addition to the excessive competition strategy and others at both home and abroad might have caused an influence. From the regional perspective, the total amount of contracts from the Middle East plummeted as projects were delayed or cancelled as a spillover effect of low oil prices; however, the number of contracts rose from Asia with an increasing demand for infrastructure development.

The demand for ECA financing has risen with the attitude of commercial banks averting risk in new projects under global uncertainties and fear of global slump initiated from China. To meet this demand, we focused on MLT support to ensure project financing wasn't hindered in order to satisfy the demand of ECA financial support amid global recession and strived to improve the system by reflecting the market demands. Moreover, we ensured that Korean EPC contractors would win project bids by

actively engaging in the contract process from the initial stage, including the issuance of LOIs to meet the current trend in the global project market where financing precedes contract closure with sponsors securing ECA financing beforehand.

Notably, we reviewed the requirements and suggestions from domestic and international financial institutions and revised the general terms and conditions of MLT policies in favor of the users. Specifically, the reasons for the non-payment of insurance proceeds were clarified and strengthened the lien rights of K-sure by easing the exercise options on security put up by policyholders. These customer/policyholder-friendly measures is receiving favorable responses from domestic and foreign financial institutions. Moreover, an on-guarantee agreement worth USD 10 billion was signed with 5 global commercial banks and an overseas SOC fund equivalent to USD 2.1 billion was created with 6 domestic banks to prepare a platform for Korean firms to accelerate the penetration into the overseas markets. Finally, the SME Project Team was augmented and reorganized to promote overseas market development for SMEs and in order to reinforce the function of evaluation on the project environment of which the importance is gradually being highlighted, the successful operation of the newly established Technology and Environment Team is also being considered to be significant.

MAJOR CASE STUDIES OF SUPPORT

The two K-sure supported projects that epitomized the MLT line in 2015 were the mobile communications network building project by Reliance Jio of India and the refinery plant modernization project of Turkmenistan.

The Reliance Jio's project involved the establishment of a nation-wide 4G LTE network grid for the first time in India in which two Korean enterprises were awarded with the project of providing the necessary hardwares, softwares and the commissioning services. we partook actively in this USD 12.4 billion project from the initial stage, assisting the Korean firms to win the project by offering USD 750 million in ECA financing against the principal.

On the other hand, the objective of the modernization project of the refinery plant in Turkmenistan is to produce high-quality petroleum products by advancing the existing refinery plant located in the coast of the Caspian Sea, equivalent to USD 940 million. A consortium of Korean firms was formed to execute the EPC, K-sure and KEXIM in Korea provided ECA export financing. The significance of the project lies in the fact that domestic private commercial banks participated as leading providers of fi-

nance in the K-sure covered facility of the said project. With our active support, not only Korean companies but also domestic private banks that lacked experiences in overseas projects participated in global financing make this case extremely meaningful.

Beside such projects mentioned above, we also offered trade finance support for different projects in the LNG, power generation, shipbuilding sectors and the like, thereby contributed to boosting the competitiveness of Korean firms and banks.

OVERVIEW AND ANALYSIS OF BUSINESS PERFORMANCES

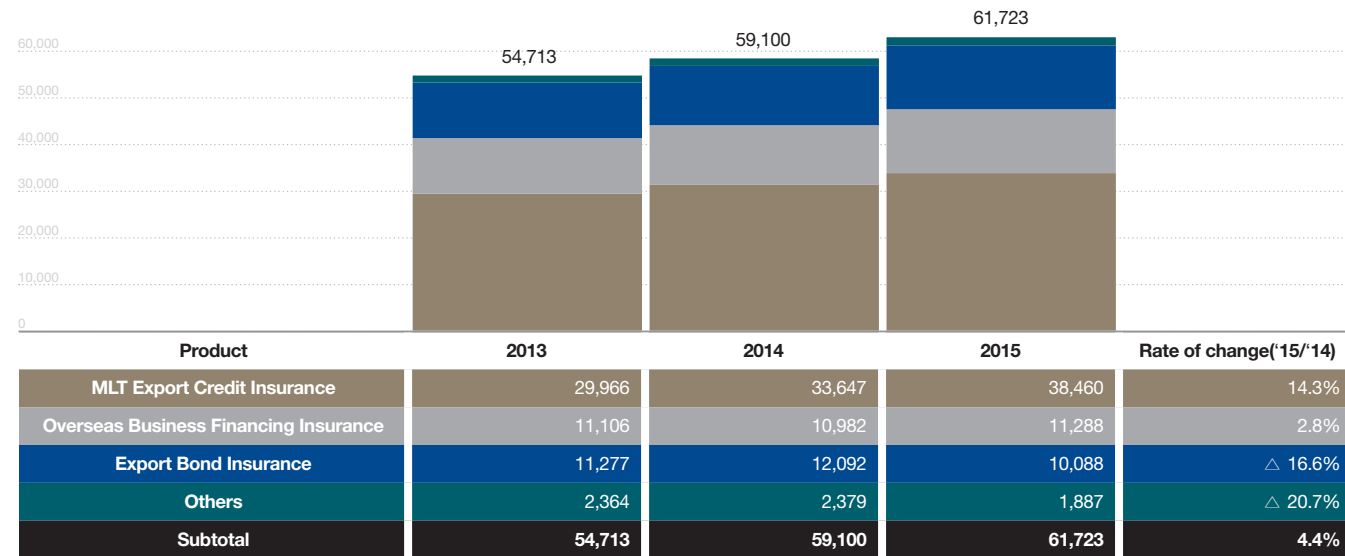
As for the MLT coverage in 2015, the business performances, based on valid contracts and commitments outstanding, increased by approximately 4.4% YoY despite domestic and foreign difficulties such as the drop in oil prices as a result of active financial support for projects. As of the end of 2015, out of KRW 61.7 trillion in total commitments outstanding under the MLT program, MLT Export Credit Insurance recorded KRW 38.5 trillion and KRW 11.3 trillion for Overseas Business Financing Insurance, indicating increases of 14.3% and 2.8%, respectively, YoY.

When examined by sector, the plant sector recorded KRW 29.5 trillion, responsible for 48% of KRW 61.7 trillion in total. This sector siphons the largest portion each year as the flagship field of K-sure. Furthermore, this volume was the fruition of an increased support to Asian, Latin American, and other emerging markets as well as the granting of support to those projects that had been delayed in the past.



**MLT commitments outstanding by product**

(Unit : KRW 1 billion)

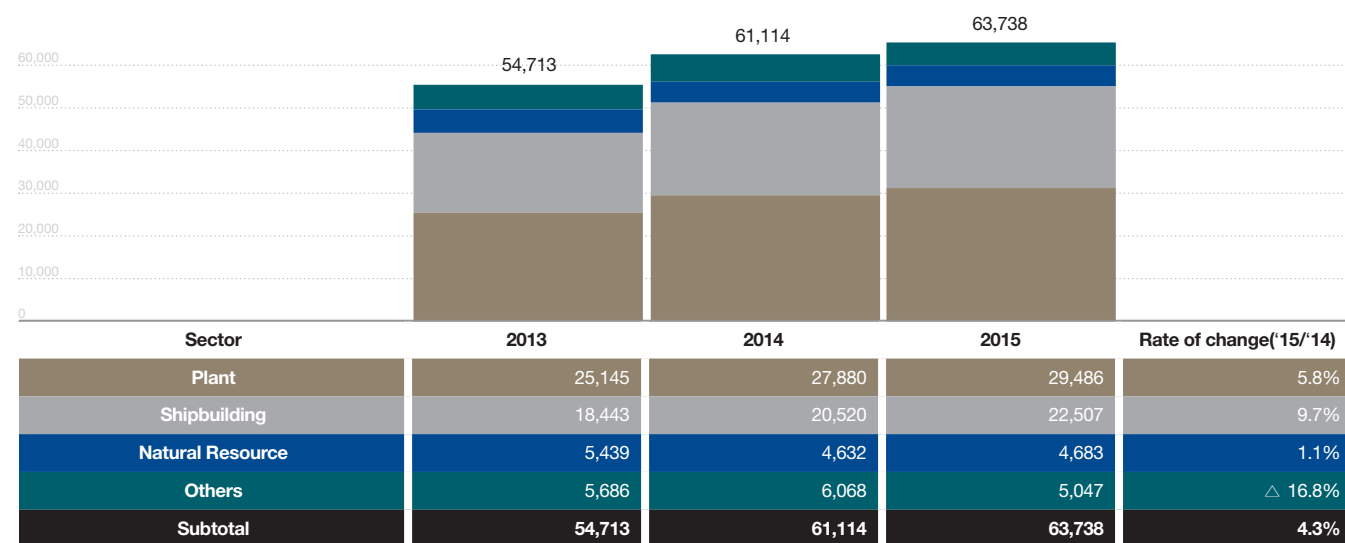


The commitments outstanding in the shipbuilding sector amounted to KRW 22.5 trillion, taking up 36% of the total. It was an 9.7% increase YoY amid the drop in shipbuilding contracts world-wide.

On the other hand, coverage for resource development stalled with the slump in the resource development sector from drop in oil and other commodity prices.

**MLT commitments outstanding by sector**

(Unit : KRW 1 billion)



When examined by region, the largest portion of coverage was recorded by the Middle East with KRW 14.6 trillion which was a 9.7% drop from the previous year but still managed to maintain first place. Following Middle East, Asia displayed a 16.5% increase followed by Latin America, Africa and other emerging re-

gions which also showed noticeable increases. The volume combined from the Middle East, Europe, and Asia took up 65.2% of the total commitments. However, this portion continued to decrease for the three consecutive years, suggesting alleviation of coverage concentrated regionally.

**MLT commitments outstanding by region**

(Unit: KRW 1 billion)

Region	2013	2014	2015	Rate of change('15/'14)
Asia	10,886	11,435	13,317	16.5%
Middle East	15,146	16,216	14,639	△ 9.7%
Europe	11,997	12,399	12,301	△ 0.8%
North America	2,842	2,631	2,780	5.7%
Latin America	7,540	6,754	8,710	29.0%
Africa	1,712	3,231	3,487	7.9%
Oceania	4,590	6,434	6,489	0.9%
<b>Total</b>	<b>54,713</b>	<b>59,100</b>	<b>61,723</b>	<b>4.4%</b>

**2016 BUSINESS PLANS**

In 2016, we plan to pioneer the expansion of trade and overseas investment of Korea by expanding coverage for Latin America, Africa and other emerging markets. While channelling support for Korean companies to dominate the strategic markets in advance centered on plant, shipbuilding, and SOC sectors which contribute to creating high added value and high quality jobs, it plans to provide financial supports for SMEs to advance into the overseas projects in order to transform them into global hidden champions.

Furthermore, it plans to establish differentiated support strategy per power generation and to focus on developing alternative markets to cope with the tentative limitation in the provision of officially supported export credits after 2017 in line with the outcome from the OECD's Export Credit Group negotiations. Simultaneously, to deal with increased MLT coverage and losses due to global difficulties, the efforts will be placed to fortify risk management and monitoring and to form a stable portfolio. Amid increasing global uncertainties, we will strive to lead a sound growth of the Korean economy and to become one of the leading ECAs in the world.



# Export Credit Guarantee

## OVERVIEW

Export Credit Guarantee comes in the form of pre-shipment and post-shipment products.

### Export Credit Guarantee (Pre-shipment)

The pre-shipment program is a type of joint guarantee scheme that we provide 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 our guarantee.

### Export Credit Guarantee (Post-shipment)

The post-shipment program is a type of joint guarantee that we provide against export financing for the exporter by a foreign exchange bank to extend a loan to the exporter against our guarantee. The exporter can secure export proceeds from the foreign exchange bank upon shipment of the goods to the importer abroad by submitting bills of exchange and other shipping documents. This program is used to cover the foreign exchange bank when it cannot recover the export proceeds from the importer (including the L/C issuing bank) at the time of maturity of the export financing extended on credit to the exporter.

This program is operated in conjunction with Short-Term Export Insurance so that the exporter has no recourse obligations, i.e., the exporter is not required to pay us, as we offset the debt to be paid through its guarantee using the insurance proceeds, provided that the exporter conducted the applicable export transaction accordingly with no fault of its own. At the same time, we have the Export Credit Guarantee (Nego) program where the exporter can only purchase the guarantee without a linked insurance product, in case the exporter does not want extra coverage with the non-payment risk from the importer.

## BENEFITS OF EXPORT CREDIT GUARANTEE

### Export Credit Guarantee (Pre-shipment)

Upon the conclusion of an export transaction, the exporter secures trade finance needed for procuring raw materials or manufacturing goods from commercial banks. However, banks typically require security from exporters such that SMEs face difficulty securing trade finance because they usually lack security.

As such, to facilitate exportation we extend export credit guarantees for exporters based on their financial conditions, export performance, and ability to carry out exporting.

If the exporter obtains export finance/loans based an export credit guarantee, it enjoys the “guarantee leverage” effect by securing additional funds (when compared to obtaining regular credits) and can lower its financial costs as a result.

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

### Export Credit Guarantee (Post-shipment)

Exporters can receive export proceeds immediately upon shipment using their bills of exchange and other shipping documents. However, foreign exchange banks are required to pay export proceeds with their own funds and as a result typically require some sort of security, which our export credit guarantee functions as. In other words, the bank that pre-paid the exporter based on our guarantee can recover its loan from us in case it cannot secure the loan from the importer after shipment.

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

The business volume of Export Credit Guarantee (Pre-Shipment) has shown a downward trend since 2013 at KRW 3.3 trillion, followed by KRW 3.0 trillion in 2014 and KRW 2.7 in 2015. However, Export Credit Guarantee support has continued with the goal of globalizing SMEs through such special products as the “Export Hope Guarantee”, “Export Startup Hope Guarantee”, and a special support program for rising industries.

The business volume of Export Credit Guarantee (Post-Shipment) stood at KRW 3.0 in 2015, a 15.1% drop YoY. This low volume was due to decreased exports and a strengthened review process adopted by us for risk management. However, we will continue to offer SMEs support through measures such as strengthening cooperation with commercial banks.



Export Credit Guarantee (Pre-Shipment and Post-Shipment) Volume by Year

(Unit: KRW trillion)

	2010	2011	2012	2013	2014	2015
Credit guarantee (Pre-shipment)	4.4	3.3	2.8	3.3	3.0	2.7
Credit guarantee (Post-shipment)	1.8	2.6	3.3	3.4	3.5	3.0
<b>Total</b>	<b>6.2</b>	<b>5.9</b>	<b>6.1</b>	<b>6.7</b>	<b>6.5</b>	<b>5.7</b>

# Foreign Exchange Risk Insurance

## OVERVIEW

“Foreign Exchange Risk Insurance” hedges against losses from exchange rate differences by eliminating the profit and loss of foreign exchange which may occur following the changes in the foreign exchange rate in the process of securing or paying foreign currencies during the course of international trading and overseas investment transactions.

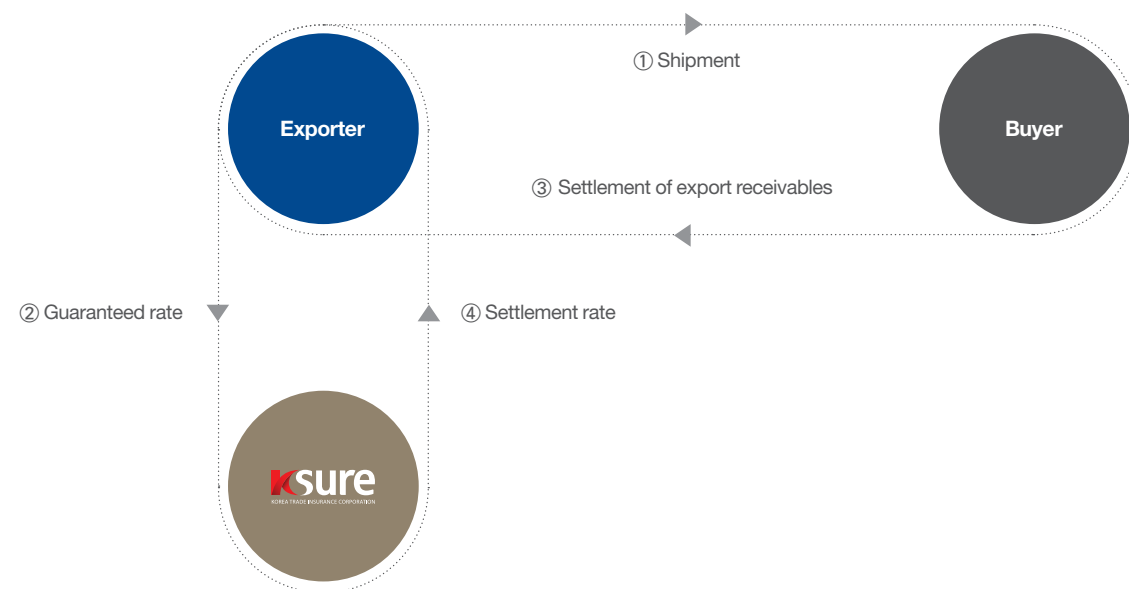
The product works similar to forward foreign exchange transactions at financial institutions where K-sure compensates losses of policyholders for their foreign exchange losses or clawback foreign exchange gains, taking into account foreign exchange rate differences between a specific point in time (guaranteed rate) and at the point of the settlement of export proceeds (settlement rate).

In other words, exporters and foreign investors can secure stable profits and eliminate the currency risk by fixing future cash flow in the Korean won in advance when subscribed to the foreign exchange risk insurance.

Moreover, exporters may hedge the foreign exchange risk for a maximum period of up to five years and overseas investors, up to 15 years with the long-term nature of overseas investments.

The four currencies covered under this program are the US Dollar (USD), European Euro (EUR), Japanese Yen (JPY), and Chinese Yuan (CNY).

## Structure of Foreign Exchange Risk Insurance



## IMPROVEMENTS IN THE MAIN SYSTEM

We have continued its efforts to improve this program to manage the foreign exchange risk for SMEs and the following revisions had been made in 2015.

First, the portal site “K-sure Foreign Exchange Risk Management Center” was opened to help SME exporters manage their foreign exchange risks.

Second, special premium discounts were granted to those policyholders using Foreign Exchange Risk Insurance for their Yen and Euro-based transactions, while the premium support projects were pursued jointly with related institutions to reduce premium burdens for SME exporters.

Third, one-to-one on-line consulting was provided and visits to individual exporters were made to provide marketing services to boost the capacity of Korean enterprises managing foreign exchange related risks.

## BUSINESS VOLUME

In 2015, the business volume from Foreign Exchange Risk Insurance dropped 18.8% YoY to KRW 1,226 billion with improved confidence over rate increases by the U.S. Fed. The number of users also fell 16% to 421 enterprises.



## Business volume for the past five years

(Unit: KRW 1 billion)

	2011	2012	2013	2014	2015
Business volume	1,829	1,147	1,720	1,510	1,226
User companies	536	368	518	500	421

\* Excluding the business volumes and users of terminated programs



## Claims and Recoveries

### CLAIM

#### Overview

In 2015, the total amount of claims paid was KRW 510 billion, a 33.7% drop compared to KRW 769.7 billion in 2014.

Overseas claims amounted to KRW 275.4 billion, a 14.2% increase compared to KRW 241.1 billion in 2014.

On the other hand, domestic claims were equivalent to KRW 234.7 billion, a 55.6% drop compared to KRW 528.6 billion in 2014.

#### Overview on claims paid

(Unit : KRW 1 billion)

	2014	2015	Changes	Rate of change
Claims paid overseas	241.1	275.4	34.3	14.2%
Claims paid domestically	528.6	234.7	△293.9	△55.6%
<b>Total</b>	<b>769.7</b>	<b>510.0</b>	<b>△259.6</b>	<b>△33.7%</b>

#### Claims paid per program

As for the short-term program in 2015, the total amount of claims paid was KRW 376.6 billion, a 35.8% drop compared to KRW 586.8 billion in 2014. For the medium and long-term program, it was KRW 133.5 billion, a 27.0% drop compared to KRW 183.0 billion in 2014.

#### Claims paid per program

(Unit : KRW 1 billion)

	Claims paid				
	2014	2015	Changes	Rate of change	
<b>ST<sup>(note)</sup></b>	ST export insurance	170.6	192.5	21.9	12.8%
	Export credit guarantee	383.7	161.3	△222.4	△58.0%
	Import insurance	32.5	22.8	△9.7	△29.8%
	<b>ST total</b>	<b>586.8</b>	<b>376.6</b>	<b>△210.2</b>	<b>△35.8%</b>
<b>MLT</b>	MLT export insurance	39.7	69.7	30.0	75.6%
	Export bond insurance	139.3	54.8	△84.5	△60.7%
	Overseas business financing insurance	4.0	9.0	5.0	125.0%
	<b>MLT total</b>	<b>183.0</b>	<b>133.5</b>	<b>△49.5</b>	<b>△27.0%</b>
<b>Total</b>	<b>769.7</b>	<b>510.0</b>	<b>△259.7</b>	<b>△33.7%</b>	

Note) Short-term export credit insurance products include agro-fisheries export insurance, overseas marketing insurance, and reliability insurance  
Export credit guarantee includes cultural contents export insurance  
Derivative products (foreign exchange risk insurance and interest rate risk insurance) are excluded.

#### Claims paid per country

(excluding for-domestic and derivative products)

Claims paid to Russia, Brazil and other emerging countries escalated amid drop in oil prices and other commodities prices as well as low currencies, while the portion of claims paid to Liberia and Iran for the MLT program took up a huge portion.

#### Claims paid per country

(Unit : KRW 1 billion)

Rank	2014			2015		
	Country	Claims paid	Ratio	Country	Claims paid	Ratio
1	Iran	36.6	15.2%	Russia	51.4	18.7%
2	Russia	24.9	10.3%	Liberia	37.6	13.6%
3	Mongolia	14.4	6.0%	Iran	32.1	11.7%
4	U.S.	14.4	6.0%	Brazil	27.3	9.9%
5	China	14.0	5.8%	U.S.	14.9	5.4%
6	Brazil	10.2	4.2%	China	13.2	4.8%
7	UAE	9.9	4.1%	Malaysia	9.6	3.5%
8	Argentina	8.6	3.6%	Indonesia	7.8	2.8%
9	Germany	8.6	3.6%	UAE	6.4	2.3%
10	U.K.	8.2	3.4%	Spain	6.1	2.2%
<b>Subtotal</b>	-	<b>149.8</b>	<b>62.1%</b>	-	<b>206.4</b>	<b>74.9%</b>
<b>Others</b>	-	<b>91.3</b>	<b>37.9%</b>	-	<b>69.0</b>	<b>25.1%</b>
<b>Total</b>	-	<b>241.1</b>	<b>100%</b>	-	<b>275.4</b>	<b>100%</b>

Note) For-domestic (export bond guarantee, export credit insurance (pre-shipment, NEGO, etc.) and derivative products (foreign exchange risk insurance, interest rate risk insurance, etc.) are excluded.

## LOSS, REAL LOSS AND CLAIMS RATIOS

In 2015, the loss ratio excluding that from the derivative products was 74.1%, a 50.4%p drop compared to 124.5% in 2014, due to a lower claims paid (33.7% ↓).

With a 50.4%p fall in loss ratio, the real loss ratio also plummeted 35.8%p compared to 94.4% in 2014.

The claims ratio is the ratio of total business volume to claims paid, in which it dropped from 0.41% in 2014 to 0.31% in 2015.

#### Loss · real loss · claims ratios

	2014	2015	Changes
Loss ratio	124.5%	74.1%	△50.4%p
Real loss ratio	94.4%	58.6%	△35.8%p
Claim ratio	0.41%	0.31%	△0.10%p

Note) Derivative products (foreign exchange risk insurance, interest rate risk insurance, etc.) are excluded.

## RECOVERY

### Overview

In 2015, the total amount of recoveries was KRW 181.5 billion, a 8.1% drop compared to KRW 197.6 billion in 2014.

The recoveries from abroad amounted to KRW 89.0 billion, showing a 1.8% increase compared to KRW 87.4 billion in 2014.

From this amount, domestic recoveries accounted for KRW 92.5 billion, showing a 16.0% drop compared to KRW 110.1 billion in 2014.

### Recoveries

(Unit : KRW 1 billion)

	2014	2015	Changes	Rate of change
Overseas	87.4	89.0	1.6	1.8%
Domestic	110.1	92.5	△17.6	△16.0%
<b>Total</b>	<b>197.6</b>	<b>181.5</b>	<b>△16.1</b>	<b>△8.1%</b>

Note) Derivative products (foreign exchange risk insurance, interest rate risk insurance, etc.) are excluded.

### Recoveries per program

In 2015, the total amount of recoveries from the short-term program stood at KRW 91.7 billion, a 15.5% fall compared to KRW 108.5 billion in 2014. As for the medium and long-term program, it was KRW 89.8 billion, showing a 0.8% increase compared to KRW 89.1 billion in 2014.

### Recoveries per program

(Unit : KRW 1 billion)

	Recoveries				
	2014	2015	Changes	Rate of change	
<b>ST<sup>(note)</sup></b>	ST export insurance	48.9	47.9	△1.0	△2.0%
	Export credit guarantee	56.1	41.7	△14.4	△25.6%
	Others	3.5	2.1	△1.4	△40.0%
	<b>ST total</b>	<b>108.5</b>	<b>91.7</b>	<b>△16.8</b>	<b>△15.5%</b>
<b>MLT</b>	MLT export insurance	18.0	18.7	0.7	3.9%
	Export bond insurance	54.0	50.4	△3.6	△6.7%
	Overseas construction works insurance	17.1	20.3	3.2	18.7%
	Overseas business financing insurance	-	0.4	0.4	-
<b>MLT total</b>	<b>89.1</b>	<b>89.8</b>	<b>0.7</b>	<b>0.8%</b>	
<b>Total</b>	<b>197.6</b>	<b>181.5</b>	<b>△16.1</b>	<b>△8.1%</b>	

Note) Short-term export credit insurance products include agro-fisheries export insurance, overseas marketing insurance, reliability insurance  
Export credit guarantee includes cultural contents export insurance  
Others include import insurance  
Derivative products (foreign exchange risk insurance and interest rate risk insurance) are excluded.

### Recoveries per country (excluding for-domestic and derivative products)

Recoveries from the top 10 countries including Pakistan, Iran, the U.S., the U.K., and Iraq were KRW 74.1 billion, accounting 83.2% of the total recoveries.

### Recoveries per country

(Unit : KRW 1 billion)

Rank	2014			2015		
	Country	Recoveries	Ratio	Country	Recoveries	Ratio
1	Iran	29.9	34.2%	Pakistan	22.6	25.4%
2	Pakistan	19.0	21.8%	Iran	16.5	18.5%
3	U.S.	4.5	5.2%	U.S.	15.8	17.8%
4	Russia	3.7	4.2%	U.K.	4.2	4.7%
5	Argentina	3.6	4.1%	Iraq	3.7	4.1%
6	Iraq	3.4	3.9%	Russia	3.1	3.4%
7	Venezuela	3.1	3.6%	Argentina	2.5	2.9%
8	Brazil	3.1	3.5%	UAE	2.1	2.3%
9	Singapore	2.6	3.0%	Turkey	1.9	2.2%
10	UAE	2.2	2.5%	China	1.7	1.9%
<b>Subtotal</b>	-	<b>75.1</b>	<b>86.0%</b>	-	<b>74.1</b>	<b>83.2%</b>
<b>Others</b>	-	<b>12.3</b>	<b>14.0%</b>	-	<b>14.9</b>	<b>16.8%</b>
<b>Total</b>	-	<b>87.4</b>	<b>100.0%</b>	-	<b>89.0</b>	<b>100.0%</b>

Note) For-domestic (export bond guarantee, export credit insurance (pre-shipment, NEGO, etc.) and derivative products (foreign exchange risk insurance, interest rate risk insurance, etc.) are excluded.



# Credit Research



## CURRENT STATUS OF CREDIT RESEARCH ON OVERSEAS ENTERPRISES

K-sure implements a “credit research service on overseas buyers” by gathering credit information on overseas companies and providing it to domestic companies and this service is made available with the close cooperation with our overseas organization network by utilizing 83 credit research firms in 44 different countries that have signed MOUs with us.

As of the end of 2015, we hold credit information on some 419,000 overseas buyers. The number of credit research cases has continued to increase each year, with 51,659 in 2015, a 0.5% rise from 51,394 cases in 2014.

Year	Number of credit research cases on overseas buyers
2012	50,230
2013	51,035
2014	51,394
2015	51,659

When examined per continent, the number of credit research cases was the highest in Asia with 36.3%, followed by Europe (22.4%), Latin America (15.0%), North America (11.0%), Middle East (8.3%), Africa (5.1%), and Oceania (1.9%). By country, it was the highest from China (10.5%), followed by the U.S. (9.7%), Brazil (5.6%), India (4.0%), Japan (3.7%), Germany (3.4%), and Turkey (3.1%).

The number of credit research reports on domestic firms, which are required at the initial stage of trade insurance usage, continued to increase, in which we now holds credit information from some 61,000 domestic enterprises at the end of 2015.

Year	Number of credit research cases on Korean firms
2012	10,295
2013	10,901
2014	11,475
2015	14,072

## FOCUSED AGENDA OF 2015

In 2015, K-sure reinforced more expert personnel including certified public accountants and established the Credit Assessment Team with the objective to provide more accurate and reasonable credit information. Moreover, the diagnosis and improvement works on the credit assessment models and credit ratings system which have continued from 2014 were completed and in February 2015, a new credit assessment model reflecting new credit assessment methods, procedures, and ratings system was introduced. Following such, as for Korean companies, the existing external audit models were further segmented into 14 models and as for the foreign companies, evaluation was conducted according to the standard in which the existing 4 models were segmented into 11 models, based on country ratings, company sizes, business, and other factors.

Moreover, the efforts were put into discovering new overseas credit research agencies and diversifying the channels of credit information collection per country to support the development of emerging markets by linking with the medium and long-term development strategies. As a result, new work relationships have been forged with local credit research firms and financial institutions in Zimbabwe, Uganda, Iran, and other emerging economies in the Middle East and Africa. Thus, the function of credit research is expected to strengthen in the future.

At the same time, the Customer Service Center was opened to promote customer satisfaction with the goal to provide one-stop service through which a range of service from fulfilling credit research request to post management after the provision of credit information will be offered at the center at once. Furthermore, monitoring utilizing credit research costs, research periods, and substance of report were conducted regularly to reduce credit research costs by encouraging competition between credit research companies and efforts were made to prepare a platform for improving the contents of credit research reports.

## FUTURE PLANS

Underwriting based on risk assessment through credit information and credit ratings is a critical step in the provision of trade insurance and toward a stable operation of the Trade Insurance Fund. Moreover, it is expected to play the role of leading the economic growth by supporting Korean firms with insufficient information on overseas markets and buyers to advance into overseas markets.

For such, K-sure will strive to offer quick and accurate credit research services by supporting reviews and enhancing customer satisfaction at both home and abroad. In detail, to provide more effective credit information, consulting is being sought to improve the process of the research and assessment of credits. It is expected to strengthen the assessment of domestic and foreign companies as well as regular monitoring with regards to the current status of default rates between credit category, stability and assessment power of the assessment models and items by establishing permanent monitoring system of assessment models.

Going beyond export support, continuous efforts will be made to expand the credit information database, build the credit research capacity, and improve research and assessment processes with the understanding that the credit information business is a growth engine of K-sure.

## Research on Country and Industry

K-sure proposes underwriting directions and pursues risk management by analyzing the trends of countries and industries promptly and accurately in order to support the trade transactions of Korean exporters in various industries throughout the world.

When underwriting, an accurate analysis of political and economic situations in importing countries is critical in addition to the assessment of political risks including the payment ability of the country. As such, the country report is published regularly, covering a wide scope of areas including various economic indices, political-social stability, account settlement ability, assessment by international markets, transaction records with us etc.

We offer in-depth seminars and external experts publish related reports to provide helpful information to our clients for an accurate analysis of the target industry or target company as they are becoming increasingly important amid a tumultuous external environment.

In 2015, we published reports on political and economic trends with regards to countries that we had supported medium and long-term projects of large amounts or with regards to countries that faced increasing threats, providing information on industry-related information, mostly in the IT, shipbuilding and other major export industries. The “Handbook on Countries” was published to provide country information to SME exporters.

Risk was also monitored through a regular publication of “Spot News” through which various issues or changing circumstances were analyzed for quick decision making in time of a crisis.



Daily monitoring reports were prepared for Venezuela, Ukraine and other highly risky emerging countries, while quarterly monitoring was conducted on those countries with significantly high political risk.

Short-term underwriting guidelines per country were modified by analyzing the increasing threat through constant monitoring. With regards to countries with increasing threats such as Venezuela, Libya and Greece, underwriting guideline per country was reinforced for risk management and with regards to countries with low threats, they were converted using Open Cover method, flexibly operating the underwriting guideline per country to support Korean exporters actively.

We participate in the OECD's Country Risk Expert (CRE) meeting regularly, held three times a year with the goal to reflect accurate country ratings. In 2015, a total of 142 countries were assessed by participating in OECD CRE. For those countries whose country risks are not assessed through these CRE meetings, country risks rates based on internal guidelines were used. As of December 2015, K-sure had country ratings on a total of 260 countries.

## Risk Management

K-sure appointed Chief Risk Officers (CROs), and runs the Risk and Recoveries Division to manage overall risk that can arise during the operation of trade insurance. The division is made up of several departments, including the Risk Management Department and the Credit Review Department, in which the former oversees overall risk management affairs and is responsible for various programs and systems related to risk management.

We used the concept of “integrated risk” to cover all the risks arising during operation. Integrated risk is comprised of underwriting, financial, and operational risks. By definition, the underwriting risk comes from the operation of the trade insurance business, the financial risk arises during the operation of the Trade Insurance Fund and of K-sure's assets, and the operational risk is related to accidents occurring during work, due to system errors, etc.

In greater detail, the underwriting risk can be subdivided into credit and currency exchange risk, in which the former comes from losses due to defaults of importers or importing countries, whereas the latter, from losses owing to exchange rate fluctuations. The financial risk is subdivided into credit, market and liquidity risk, in which the credit risk mainly originates from bankruptcy of depository institutions, debt issuing organizations, etc. The market risk arises from price volatility in assets invested. The liquidity risk results from losses related to not being able to cope with unexpected asset spending.

We set a total risk ceiling each year to maintain the stability of the trade insurance business. Specifically, the annual limit is set according to unexpected losses based on the size of the Trade Insurance Fund and is divided and distributed to each risk (underwriting, financial and operational). Each risk is controlled to stay at an optimum level at which the integrated risk is calibrated, and computer systems are mobilized to monitor the amount of total and daily risk use of each.

The underwriting risk, which makes up more than 80% of the total risk, is monitored by measuring risk-posing agents including exporters, importers, exposure at default by each country, probability of default, and loss given default. Based on the resulting data, the value at risk (VaR) index and risk concentration in each insurance product are measured and reported for systematic risk management. To manage risk from losses related to fluctuations in interest rates and stocks, the amount of financial risk is monitored each day. The key risk index (KRI) is monitored for the measurement and management of operational risk.

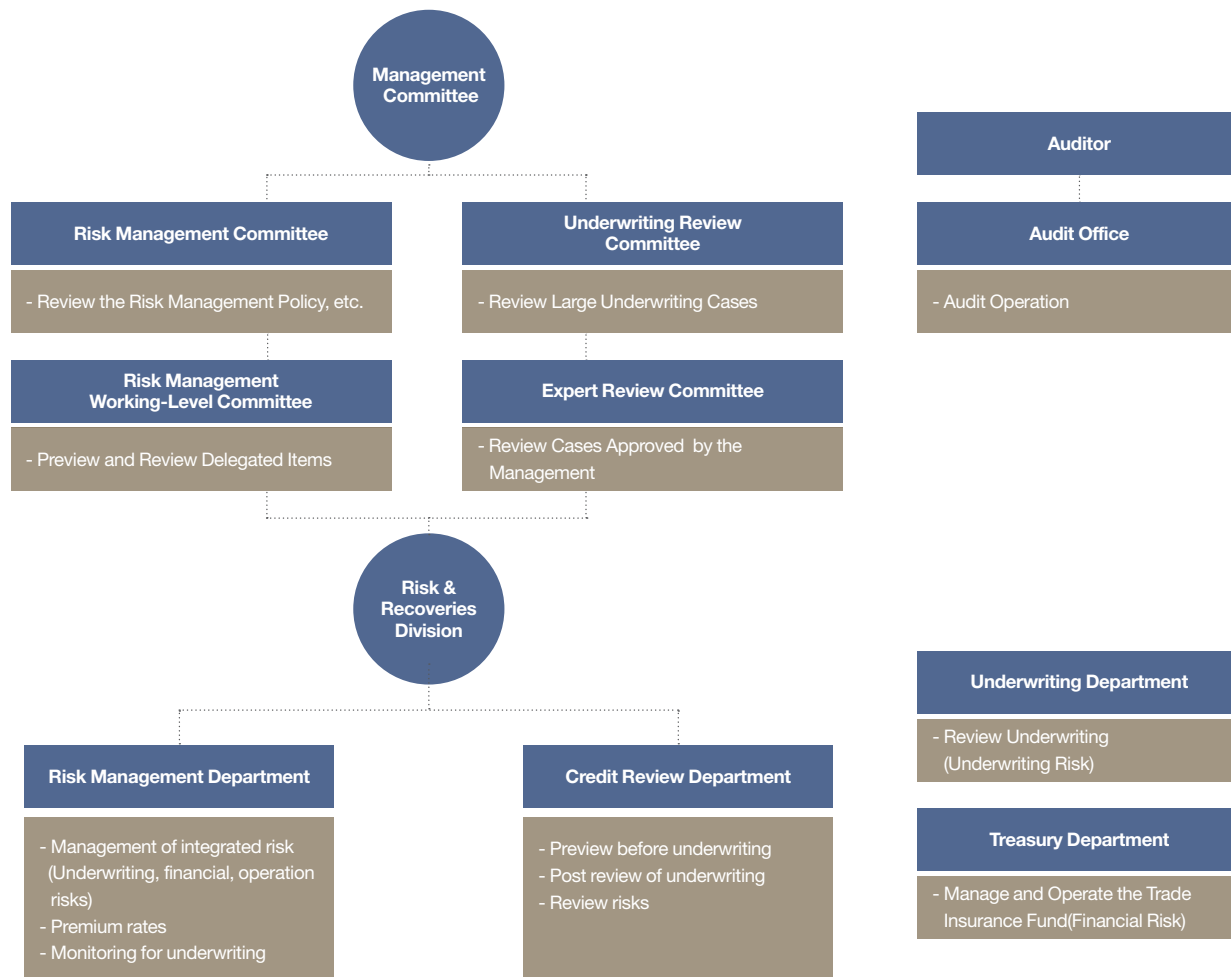
On top of the management of integrated risk, the risk from each of the covered transactions is monitored both at the time credit is given, and after, while the total amount of risk is managed at the same time.

For those large transactions, pre-cover and risk reviews are performed. Moreover, post-cover monitoring is conducted regularly (monthly, quarterly, and semi-annually) on credit rating changes in countries, industries, and domestic and overseas enterprises. If abnormal signs are detected, risk management is pursued pre-emptively through credit reduction, implementation of risk mitigation measures, etc.

Finally, we operate various committees to secure expertise and objectivity in risk management. The Risk Management and Risk Management Working-Level Committees review important risk-related policies. The Underwriting Review and Expert Review Committees assess those individual transactions under consideration. With more than half of its members comprised of

external experts, the Risk Management Committee reviews the ceiling for integrated risk, the ceiling for each risk, etc. The Underwriting Review and Expert Review Committees are composed of working-level knowledge experts with abundant experience who review and decide on the coverage of large transactions.

**Risk management infrastructure of K-sure**



# International Relations

## STRENGTHENING TIES WITH GLOBAL ECAS THROUGH THE BERNE UNION

Continuing from previous years, K-sure also played a leading role in the Berne Union in 2015 by actively engaging in the selection of meeting agendas and in decision-making processes.

- Established in 1934, the Berne Union, also known as the International Union of Credit and Investment Insurers, is an association formed by 50 member ECAs from 40 different countries from around the world that exchange related information and closely cooperate on compliance with international norms in trade.

- We regularly participate in its Spring Meeting and the Annual General Meeting (AGM) in autumn, at which the agency contributes to a smooth flow of information between the BU members, through such efforts as the introduction of the agency's Service Export Credit Insurance through the Innovative MLT Product Session at the 2015 AGM.

- Notably, the 2015 AGM drew active engagement from the member ECAs for mutual cooperation through lively discussions on the outlook of global trade and the economy, China's One Belt, One Road Initiative, climate finance, and measures to deal with Iran after the lifting of sanctions against the country's nuclear program.

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

K-sure was deeply involved in OECD activities as a participant to the "Arrangement on Officially Supported Export Credits" and a member of Korean delegations to the "Working Party on Export Credits and Credit Guarantees" and the "Country Risk Experts Meeting". In short, we took an active role in deliberations and the creation of various international norms related to the provision of export credits.

With the establishment of the "Sector Understanding on Export Credits for Coal-Fired Electricity Generation Projects" in 2015, We took part in the establishment of international norms while aiming to represent the interests of the environment and industry at the same time. Moreover, We met with international counterparts to discuss matters related to export credits including the official support of export credits, premium rates, interest rates, etc.





### DISCUSSIONS AT THE INTERNATIONAL WORKING GROUP ON EXPORT CREDITS (IWG)

Led by China and the U.S., the International Working Group on Export Credits (IWG) was inaugurated in November 2012 with the aim of setting a new international norm on export credits to reduce the gap between the OECD member and non-member countries in the provision of export credits. There are 15 participating countries at the IWG including Korea, the U.S., the EU, Japan, China, Brazil, and Russia.

As part of the Korean delegation to the IWG, we engaged in the talks on behalf of Korea's greatest interests, including its strong shipbuilding industry.

### BUILDING OF A SOLID FRAMEWORK OF INTERNATIONAL COOPERATION THROUGH BILATERAL MEETINGS

We successfully wrapped up four bilateral meetings in 2015 to solidify strategic partnerships with several countries, including Japan, China, Germany, France, and Italy, by deliberating on trade insurance policies and expanding information exchanges.

- The bilateral meetings held in 2015 included one with Euler Hermes of Germany in February in Seoul, Korea; Sinosure of China in April in Guiyang, China; NEXI of Japan in September in Kyoto, Japan; Coface of France in September in Annecy, France; and SACE of Italy in October in Rome, Italy. The participating agencies held in-depth discussions on ways to expand the joint provision of export credits.
- Notably, the bilateral meeting with SACE of Italy was held for the first time, where a timely agenda was adopted and deliberated on while expanding the framework of cooperation between the two agencies.

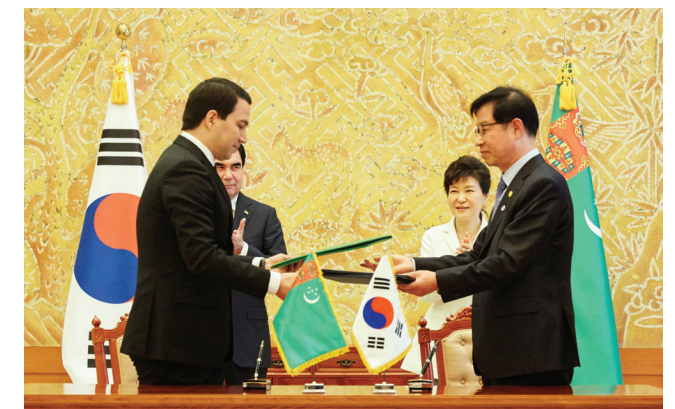
### EXCHANGES AND COOPERATION WITH OTHER ECAS AND RELATED INSTITUTIONS

We sought to boost mutual capacity building through the expansion of information interchange channels of communication with other ECAs.

- In 2015, cross-agency training of employees was conducted for more effective and direct information exchanges with the goal of strengthening mutual cooperation.
- Meanwhile, the training program for overseas institutions also continued in 2015 with the goal of transferring trade insurance knowledge to emerging countries. Through this Knowledge Sharing Program, we invited officials from the Dominican Republic Export and Investment Center and state officials from Mexico to introduce them to the trade insurance system of Korea. Training was also offered to officials from Indonesia Eximbank.

As part of the national agenda of building economic cooperation capacity, we actively partook in several economic delegations organized by the Korean government.

- As part of the delegations' activities, we concluded a total of 3 MOUs, including one project financing agreement, one MOU on reinsurance, and one MOU on joint support for overseas investments. These agreements will be part of an expanding strategic platform of cooperation with other organizations.
- In 2015, we concluded a financial support agreement with KPC (The Kuwait Petroleum Corporation), a reinsurance agreement with ICIEC (The Islamic Corporation for the Insurance of Investment and Export Credit), an overseas investment agreement with Czechinvest of the Czech Republic, and export credit support agreements with ABGF of Brazil, Zurich of North America, and Eximbanka SR of the Slovak Republic.





# 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 (CS)

K-sure aims its operation based on customer satisfaction through such efforts as the operation of customer panels, integrated management of customer opinions, and capacity building for its employees toward CS.

### CS capacity building of K-sure employees

The results from customer satisfaction surveys, happy calls, voices from customers (complaints, suggestions, praises, etc.) are shared company-wide to utilize these data in improving our programs and services.

Major cases registered through the Customer Center (the Call Center) are shared company-wide to provide training to employees on how to answer calls and make visits to customers.

### Operation of K-sure customer advisory board

In order to pursue operation based on customer engagement utilizing customers' ideas and suggestions, regular meetings are held with the customer advisory board to reflect customers' opinions on our programs.

### Expansion of the Trade Academy

We have been running the Trade Academy since 2009 with the goal to promote the understanding on trade insurance by exporters and foster trade-related experts from SME exporters.

In 2015, 38 sessions of the Trade Academy were offered where training was offered on the trade insurance system, indemnification cases, actual affairs involved in trading, etc. to people from export companies, financial institutions, and general public (college students). A total of 1,105 trainees completed the courses offered.

### Mobile web-site operation

To meet the needs of the digital age, we run a mobile web-site where the contents on country information, trends related to trade, currency information, etc. are provided to its customers and the general public.

### Posting of K-sure News Letter

With the goal of strengthening communication with customers, we post and send K-sure News Letter and other notices to its customers via e-mail and other methods throughout the year through which customers are notified on program changes, country attitudes, etc.



## CSR Activities

The corporate social responsibility (CSR) slogan of K-sure is "Exports for Exporters, Warmth to Neighbours", and it refers to our pursuit of coexistence by expanding sharing and communications among all of our clients, including Korean exporters and our community.

### The public corporation that shares and communicates with the local community

We maintain historical sites and pursue other CSR activities aimed at interacting with local people in the Jongno-gu region where our head office is located.

To promote urban-rural exchanges, we forged a sisterhood relationship with Gaekhyeun-ri Paju-si Gyeonggi-do and help out this rural area in busy farming seasons as well as sponsor various local activities.



### Main Activity Highlights

- Tended the cultural Confucian shrine (Sungkyunkwan, Myeongnyun-dong, Jongno-gu)
- Cleaned streets of Jongno (Changshin-dong, Jongno-gu)
- Re-created an independence movement march for the Independence Day event sponsored by the Jongno-gu district office
- Cleaned areas surrounding small streams in Daehak-ro, Jongno-gu
- Helped Gaekhyeun-ri farmers during busy seasons







**Regular volunteering and sponsorships for marginalized people to build social trust**

We continued our regular volunteering and sponsorships within the community at social welfare and other facilities to share warmth with marginalized people.



**Main Activity Highlights**

- Helped the Seoul Elderly Welfare Center with their free meal program
- Volunteered at Raphael's House (home for the disabled) and Theresa's House (an orphanage)
- Prepared winter kimchi for a homeless shelter
- Helped with an annual fundraising fair hosted by Korean Red Cross
- Participated in bread making for disadvantaged people hosted by Korean Red Cross
- Delivered coal for winter fuel to marginalized people
- Sponsored regional and rural social welfare facilities

**Contribution to the Korean economy by stabilizing the lives of ordinary people**

We forged a sisterhood relationship with Inwang Market, located in Hongje-dong, to boost local markets suffering from an economic slump. Various our marketing products and food supplies came from this market. Sponsorship is also offered through employees of us actually shopping at the market for the New Year and Chuseok (Thanksgiving) holidays.

**Main Activity Highlights**

- Shopped at the traditional market for the New Year and Chuseok holidays
- Sponsored the replacement of old vending facilities at the market



## Ethical Management

Under the ethical management vision of a “Clean K-sure, trusted by the people of Korea and its customers”, and as a public corporation, We strive to create a culture of anti-corruption and transparency and fulfill corporate social responsibility.

To achieve this vision, the president of K-sure leads the Ethical Management Committee toward the achievement of ethical management. The Integrity Ombudsman Committee, composed of external experts, strengthens external monitoring and checks in this same pursuit. Our customers are encouraged to report direct and indirect corruption and other unreasonable conduct by our employees during the course of their use of trade insurance, such that they also participate in our ethical management, functioning as another external monitoring body.

To remove any possibility of collusion with customers using trade insurance products, the Credit Underwriting Department (independent of those departments involved in the actual underwriting business) was set up through which credit review personnel are given a greater degree of responsibility for transparency. To prevent the occurrence of corruption and to toughen punishment at the time of discovery, the “Red Whistle” system was adopted. The actual operation of the system was consigned to an external organization that was specifically designed to anonymously report any corrupt conduct by K-sure employees and executives. This external monitoring complements the existing whistle-blower protection and compensation system related to the “punishment of violators” and “protection of whistle-blowers from repercussions” clauses. To eliminate compassionate punishment practices when corruption is discovered, the “one-strike out” system is being implemented, realistically establishing the principle of zero tolerance.

In order for executives to remain ethical and lead by example, the management (including the president) was sent to the Integrity Training Center to receive anti-corruption education. Integrity education was provided to senior directors and chiefs who took the integrity oath. Furthermore, the degree of effort



made by each executive in the pursuit of ethical management was assessed during their performance evaluation, while the senior directors were required to sign the ethical management contract, in addition to the executives who had been the only group to sign the contract previously. In short, various efforts were made toward establishing a lead-by-example system for ethical management.

To spread the culture of ethical management, all K-sure employees took the Clean K-sure oath, proclaiming a commitment of pursuing transparency. Ideas related to anti-corruption were gathered company-wide and K-sure employees who submitted excellent suggestions for improving transparency and integrity were given prizes. The integrity mileage system was introduced, through which those who accumulated the highest mileages were awarded, guidelines were set on integrity, and integrity infrastructure was strengthened. At the same time, methods of integrity training were improved over previous lectures, whereby



trainees actually experienced a variety of situations by implementing role-plays in classes, improving training outcomes. Trainee feedback was also obtained for the classes. In short, continued efforts have been placed on improving training outcomes. The Integrity Club formed voluntarily by K-sure employees uses its regular workshops to share ethical management practices through on the discussion of current trends and issues.

Abiding by the government’s guidelines, we voluntarily disclose information related to our operation, and thereby protect the people’s right to know beforehand. Our internal guidelines, closely related to the lives of people, are also open to the public to boost fairness and responsibility when it comes to our work. Information about optional contract deals and our executives’ business expenses are also disclosed regularly. In short, we continue our pursuit of transparent operation.

As an official export credit agency, we also comply with international norms and regulations. For instance, we observe the OECD Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (“The Common Approaches”) and the OECD Recommendation on Bribery and Officially Supported Export Credits. As a result, we contribute to creating a level-playing field in the international trade arena.

## Auditors' Report

### INDEPENDENT AUDITORS' REPORT

To the Board of Directors of K-sure  
February 12, 2016

#### Report on financial statements:

We, Samjung KPMG LLC have audited the financial statements of the Trade Fund (hereinafter referred to as the "Fund"). The financial statements are comprised of the Income Statement, the Statement of Changes in Equity, the Cash Flow Statement, and a summary on significant accounting practices and policies and notes on the accounts as of December 31, 2015 and December 31, 2014.

#### Responsibilities of the Directors of K-sure with regards to the financial statements:

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

#### Responsibilities of the auditors:

The auditors' responsibility is to express an opinion on the financial statements in accordance with the audit that we the auditors conducted. Our audit was conducted in accordance with the auditing standards by the Korea Institute of Certified Public Accountants. These standards require us to comply with ethical standards 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, however, does 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.

In our opinion, the financial statements of the Fund as of December 31, 2015 and December 31, 2014 give a fair view from a significant perspective of operation, changes in equity, and cash flow in conformity with accounting regulations of the Fund.

Kim Kyo-tae  
CEO  
Samjung KPMG LLC

# FINANCIAL SECTION

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

# Financial Statements

## 1. Statement of Financial Position

The 47<sup>th</sup> term as of December 31, 2015

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

### • Trade Insurance Fund

(Unit : KRW)

Account	The 47 <sup>th</sup> (current) term		The 46 <sup>th</sup> (previous) term	
	Amount		Amount	
Assets				
I. Cash and dues from banks		1,068,414,968,040		851,964,824,284
II. Securities		1,928,775,774,284		1,708,344,665,291
1. Trading securities	1,748,775,774,284		1,518,344,665,291	
2. Available for sale securities	180,000,000,000		190,000,000,000	
III. Tangible assets		88,065,941,528		75,982,777,097
IV. Investment properties		15,291,413,743		27,400,859,665
V. Intangible assets		6,808,842,779		9,164,542,679
VI. Other assets		786,037,452,784		1,052,918,476,133
1. Premium receivables	341,520,993,273		583,538,121,791	
Reserve for bad debts	(11,734,540)		(11,734,540)	
2. Account receivables	13,739,672,866		13,739,677,287	
3. Accrued income from account receivables	25,915,195,612		26,175,596,977	
4. Corporate tax receivables for the current term	1,998,116,929		2,168,900,639	
5. Receivables from subrogation	328,639,932,163		343,721,841,182	
6. Leasehold deposits	27,053,060,330		24,906,280,604	
7. Deposits	2,348,954,178		2,325,344,178	
8. Long-term loans to employees	1,083,310,258		1,548,548,930	
9. Derivative assets	27,373,668,786		46,259,554,355	
10. Others	16,376,282,929		8,546,344,730	
Total assets		3,893,394,393,158		3,725,776,145,149
Liabilities				
I. Contingency reserve		2,477,416,225,417		2,090,240,967,040
1. Premiums reserved for unexpired policies	1,393,066,547,805		1,311,188,062,874	
2. Reserves for payable	1,084,349,677,612		779,052,904,166	
II. Other liabilities		76,843,264,698		259,465,719,404
1. Payable accounts	224,320,584		6,944,229,858	
2. Payable expenses	220,261,784		1,180,335,526	
3. Reserve payable for employee retirement	25,854,092,056		21,104,005,919	
4. Prepaid premiums	7,436,025,601		153,349,705,363	
5. Deposits	1,356,459,450		976,482,218	
6. Liabilities from derivatives	19,412,482,541		39,800,272,849	
7. Leasehold deposits	1,113,554,500		1,138,422,125	
8. Trusts	9,775,353,454		17,366,406,269	
9. Others	11,219,971,928		17,605,859,277	
Total liabilities		2,554,028,747,315		2,349,706,686,444
Capital				
I. Contributions		2,550,824,481,888		2,540,824,481,888
1. Government contributions	2,314,824,481,888		2,314,824,481,888	
2. Other contributions	236,000,000,000		226,000,000,000	
II. Other contributions total		7,571,107,149		3,374,823,858
1. Gain on valuation of available-for-sale securities (loss)	7,571,107,149		3,374,823,858	
III. Deficit		(1,219,029,943,194)		(1,168,129,847,041)
1. Retained earnings before appropriation	(1,219,029,943,194)		(1,168,129,847,041)	
Total capital		1,339,365,645,843		1,376,069,458,705
Total liabilities and capital		3,893,394,393,158		3,725,776,145,149

## 2. Income Statement

The 47<sup>th</sup> term from January 1, 2015 to December 31, 2015

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

### • Trade Insurance Fund

(Unit : KRW)

Account	The 47 <sup>th</sup> (current) term		The 46 <sup>th</sup> (previous) term	
	Amount		Amount	
I. Income from operation		3,184,336,467,908		3,260,126,001,318
1. Premium income		690,328,060,660		620,206,961,280
2. Recovery income		225,448,289,634		216,388,407,541
3. Reinsurance income		2,392,584,360		20,823,712,820
4. Other income from operation		2,266,167,533,254		2,402,706,919,677
1) Interest income	81,204,289,637		65,757,248,033	
2) Gain on valuation and sale of securities	6,356,648,229		9,336,173,808	
Gain on sale of trading securities	6,356,648,229		9,336,173,808	
3) Income from commissions	1,541,284,373		1,526,247,554	
4) Income from subrogation	-		66,362,141,892	
5) Reversal of unearned premium reserves	1,311,188,062,874		1,198,054,188,636	
6) Reversal of reserves for onstanding claims	779,052,904,166		897,417,081,578	
7) Gain on derivative transactions	17,126,699,395		56,159,332,672	
8) Gain on valuation of derivatives	14,473,550,060		21,123,035,264	
9) Gain on FX risk insurance transactions	6,309,612,099		18,871,108,619	
10) Gain on valuation of FX risk insurance	9,518,999,880		16,499,005,893	
11) Gain on valuation of interest rate risk insurance	-		-	
12) Gain on foreign currency conversion	26,271,140,919		42,781,299,627	
FX gain	19,589,012,659		8,853,736,800	
Gain on foreign currency conversion	6,682,128,260		33,927,562,827	
13) Reversal on allowance for bad debts	-		35,114,979	
14) Others	13,124,341,622		8,784,941,122	
II. Operating expenses		3,388,590,274,254		3,221,651,505,253
1. Claims paid expenses		527,987,932,902		801,634,835,132
2. Returns of premium income expenses		126,031,057,750		85,275,717,380
3. Subrogation receivables deductions		30,743,818,724		-
4. Reinsurance expenses		-		18,945,515,726
5. Other operating expenses		2,606,398,922,852		2,222,979,298,269
1) Loss on valuation and sale of securities	24,607,345,966		9,657,653,112	
Loss on sale of available-for-sale securities	2,123,882,593		9,657,653,112	
Net unrealized gains and losses on available-for-sale securities	22,483,463,373		-	
2) Fees paid	690,573,494		380,380,812	
3) Contribution to unearned premium reserves	1,393,066,547,805		1,311,188,062,874	
4) Contribution to reserve for outstanding claims	1,084,349,677,612		779,052,904,166	
5) Loss on sale of derivatives	39,360,919,692		63,952,663,291	
6) Loss on valuation of derivatives	12,920,414,656		24,039,258,741	
7) Loss on FX insurance transactions	16,010,615,039		431,424,240	
8) Loss on valuation of FX risk insurance	1,904,182,363		7,289,754,146	
9) Loss on valuation of interest rate insurance	3,560,065,938		4,877,550,131	
10) Loss on foreign currency transactions	8,583,574,116		10,403,587,280	
FX loss	8,583,574,116		10,227,662,582	
Loss on foreign currency conversion	-		175,924,698	
11) Debt recovery expenses	11,615,961,229		9,905,516,312	
12) Bad debt expenses	84,924,207		-	
13) Other operating expenses	9,644,120,735		1,800,543,164	

## 2. Income Statement

The 47<sup>th</sup> term from January 1, 2015 to December 31, 2015

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

### • Trade Insurance Fund

(Unit : KRW)

Account	The 47 <sup>th</sup> (current) term		The 46 <sup>th</sup> (previous) term	
	Amount		Amount	
6. Expenses for administration	97,428,542,026		92,816,138,746	
1) Personnel expenses	48,092,884,557		46,061,299,494	
2) Overhead expenses	35,922,828,908		35,331,856,467	
3) Severance benefit expenses	5,895,347,077		4,301,166,420	
4) Depreciations	5,161,781,584		4,766,116,465	
5) Intangible asset depreciations	2,355,699,900		2,355,699,900	
III. Income from operation (loss)	(204,253,806,346)		38,474,496,065	
IV. Income excluding operation	9,604,854,641		7,507,789,415	
1. Gain on disposal of tangible assets	17,358,925		400,765,228	
2. Rental income	1,735,002,177		3,709,735,829	
3. Others	7,852,493,539		3,397,288,358	
V. Non-operating expenses	1,251,144,448		2,306,750,500	
1. Loss from disposal of tangible assets	309,675		1,560,441	
2. Others	1,250,834,773		2,305,190,059	
VI. Net gain before corporate tax expenses (loss)	(195,900,096,153)		43,675,534,980	
VII. Corporate tax expenses	-		-	
VIII. Net gain during the term (loss)	(195,900,096,153)		43,675,534,980	

## 3. Statement on Changes in Capital

The 47<sup>th</sup> term from January 1, 2015 to December 31, 2015

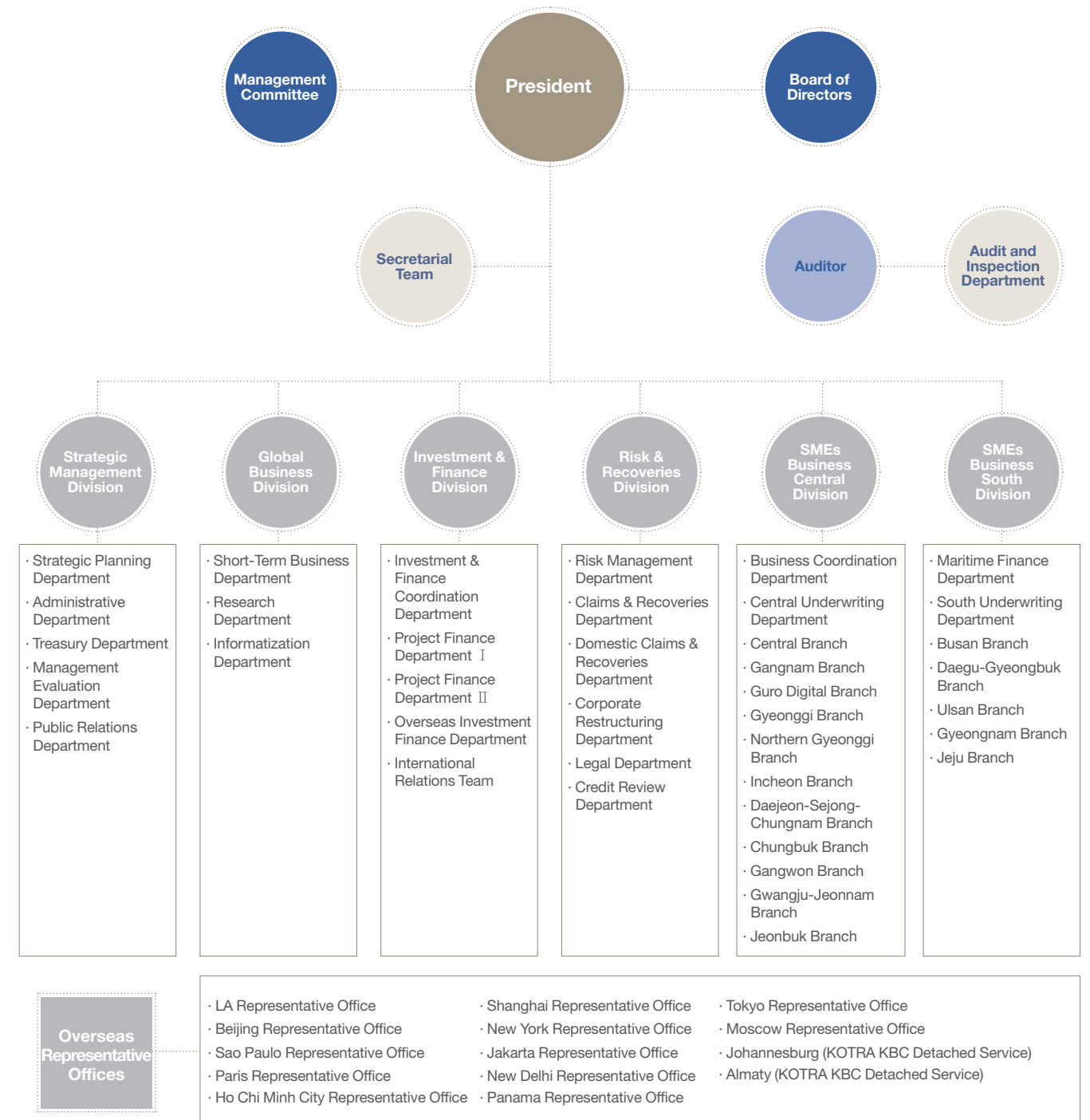
The 46<sup>th</sup> term from January 1, 2014 to December 31, 2014

### • Trade Insurance Fund

(Unit : KRW)

Account	Contributions	Other comprehensive income/loss total	Retained earnings (deficits)	Total
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 and loss on valuation of available-for-sale securities	-	14,151,754,490	-	14,151,754,490
Net gain during the current term	-	-	43,675,534,980	43,675,534,980
December 31, 2014 (end of the previous year)	2,540,824,481,888	3,374,823,858	(1,168,129,847,041)	1,376,069,458,705
January 1, 2015 (beginning of the current year)	2,540,824,481,888	3,374,823,858	(1,168,129,847,041)	1,376,069,458,705
Contributions	155,000,000,000	-	-	155,000,000,000
Loss protection	(144,000,000,000)	-	(145,000,000,000)	-
Gain and loss on valuation of available-for-sale securities	-	4,196,283,291	-	4,196,283,291
Net gain during the current term	-	-	(195,900,096,153)	(195,900,096,153)
December 1, 2015 (end of the current year)	2,550,824,481,888	7,571,107,149	(1,219,029,943,194)	1,339,365,645,843

# Organization Chart



# Management

K-sure management is dedicated to support trade. Each member of the management at K-sure gives the best to extend solid support to Korean enterprises striving for success.



**Kim Young-hak**  
Chairman & President



**Lee Dae-yong**  
Auditor



**Hyung Nam-doo**  
Executive Director



**Yoo Jae-nam**  
Executive Director



**Lim Yang-hyun**  
Executive Director



**Lee Mi-young**  
Executive Director



**Kim Sook**  
Non-Executive Director



**Cho Nam-yong**  
Deputy President



**Kang Byung-tae**  
Deputy President



**Oh Kwang-hee**  
Non-Executive Director

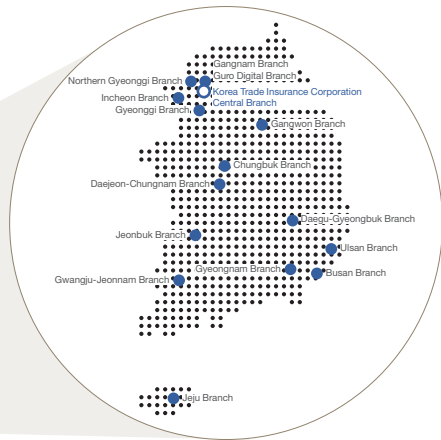


**Park Young-ok**  
Non-Executive Director



**Lee Kyu-min**  
Non-Executive Director

# Domestic and Overseas Network



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