



Credit  
Rating  
Agency

A NRSRO Rating\*

# Debt Securities

## The Export-Import Bank of Korea

### KEXIM 19 & 21

# HR AAA

Financial Institutions  
July 27<sup>th</sup>, 2022

## Rule 17g-7 Information Disclosure Form

### Ratings

KEXIM 19  
KEXIM 21

HR AAA  
HR AAA

Outlook

Stable

### Contacts

#### Oscar Herrera

Associate  
Lead Analyst  
oscar.herrera@hrratings.com

#### Akira Hirata

Financial Institutions / ABS Associate  
Director  
akira.hirata@hrratings.com

#### Angel García

Financial Institutions / ABS Director  
angel.garcia@hrratings.com

The Rating Action Commentary (RAC) associated with this disclosure form is an integral part of the form.

**1. Symbol, Number, or Score in the Rating Scale used by HR Ratings as required by Paragraph (a)(1)(ii)(A) of Rule 17g-7:**

Entity/Instrument	Rating Action	Rating Type	Rating Code
KEXIM 19	Ratified	Long-Term Rating	<a href="#">HR AAA / Stable Outlook</a>
KEXIM 21	Ratified	Long-Term Rating	<a href="#">HR AAA / Stable Outlook</a>

**2. Version of the Procedure or Methodology used to determine the credit rating as required by Paragraph (a)(1)(ii)(B) of Rule 17g-7:**

The rating assigned by HR Ratings to the entity is based in accordance with the following methodologies established by the rating agency:

- Methodology for Rating Banks, February 2021  
<https://www.hrratings.com/docs/metodologia/03.2.1.%20Banks.pdf>
- General Methodological Criteria, January 2022  
[https://www.hrratings.com/docs/metodologia/General\\_Methodological\\_Criteria\\_January\\_2022.pdf](https://www.hrratings.com/docs/metodologia/General_Methodological_Criteria_January_2022.pdf)

**3. Main assumptions and principles used in constructing the procedures and methodologies to determine the credit rating as required by Paragraph (a)(1)(ii)(C) of Rule 17g-7:**

The objective of the Rating Methodology for Banking Institutions is to evaluate the financial institution's ability and willingness to pay its debt through the relevant parameters that specifically affects these conditions. Also, HR Ratings evaluates the institution's capacity to maintain a certain level of capitalization. For this, the applicable Methodology identifies the main risk indicators within each credit risk category that affect the Banking Institution assessed; both those that are specific to the entity and those from external factors. Regarding the ability to pay, the major sources of risk that could cause delay or default on the settlement of any liability are determined.

To evaluate all the relevant risks that affect Banking Institution credit quality, HR Ratings classifies them into qualitative risks and quantitative risks. The division of categories is fundamental to differentiate between the numerically measurable factors and based on the financial model (quantitative risks) of the factors that are sensitive to the management of the institution, and which are unrelated to the financial model (qualitative risks).

The qualitative risks category includes risk factors such as: 1) Industry risk, 2) Assessment of management and operational risks and 3) Accounting, regulatory and competitive risks. Given the nature of the category, HR Ratings assigns a rating to each of these risks. This category includes factors not only related to the management of the business, but also with growth expectations of the rated institution.

The Financial projections for Banking Institutions represents the structural basis for the quantitative risks category. These projections incorporate historical financial information that the institution delivers to HR Ratings and with which forecasts are prepared minimum for the next 8 quarters. The information required by HR Ratings includes quarterly reports of Income Statements, Balance Sheets, and Cash Flow Statements for the last five years; however, in the event the institution has a shorter financial record, it will be considered from earliest information available.



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For the financial projections, the analyst focuses on the capacity of the institution to maintain a capital adequacy ratio and its ability to generate cash flow, even under a high stress scenario. Both factors are fundamental so that the entity can reliably meet its financing needs. The factors the analyst takes into consideration for the projections and to present a reliable scenario include economic environment, industry growth expectations, competition, business plan, business cycle, business financial situation, concentration risks of the portfolio and funding structure, among others. With the historical financial information and with the projection we calculate the key financial ratios for the quantitative analysis. The financial ratios taken into consideration are the profitability level, the operating efficiency, portfolio quality, market risk, solvency ratios and liquidity risk. The final rating represents the sum of the rating assessment given by the qualitative risk analysis and in the quantitative risk analysis.

#### 4. Potential limitations of the credit rating as required by Paragraph (a)(1)(ii)(D) of Rule 17q-7

- HR Ratings does not validate, guarantee, or certify the accuracy, correctness or completeness of any information and is not responsible for any errors or omissions or for results obtained from the use of such information.
- Ratings and/or opinions assigned by HR Ratings are based on an analysis of the creditworthiness of an entity, issue, or issuer, and do not necessarily imply a statistical likelihood of default.
- The credit ratings do not opine on the liquidity of the issuer's securities or stock.
- The credit ratings do not consider the possible loss severity on an obligation default.
- The credit ratings are not an opinion of the market value of any issuer's securities or stock, or the possibility that this value suffer a deterioration.

#### 5. Information on the uncertainty of the credit rating as required by Paragraph (a)(1)(ii)(E) of Rule 17q-7

The Analysis Committee noted no material limitations on the reliability, accuracy and quality on the data relied on in determining the credit rating.

The Analysis Committee noted that the information obtained was not on a quarterly basis, as the Bank doesn't generate the information with that periodicity. However, based on the factors that influence the rating and the explicit guarantee from Korea, this was not considered a material limitation for the assigned rating.

The ratings and/or opinions assigned are issued on behalf of HR Ratings, not of its management or technical staff, and do not constitute an investment recommendation to buy, sell, or hold any instrument nor to perform any business, investment or other operation. The assigned ratings and/or opinions issued may be subject to updates at any time, in accordance with HR Ratings' methodologies.

#### 6. Use of third-party due diligence services as required by Paragraph (a)(1)(ii)(F) of Rule 17q-7

HR Ratings did not use third party due diligence services for this rating.

#### 7. Use of servicer or remittance reports to conduct surveillance of the credit rating as required by Paragraph (a)(1)(ii)(G) of Rule 17q-7

HR Ratings did not use Servicer or Remittance Reports to conduct surveillance of this rating.

#### 8. Description of types of data about any obligor, issue, security or money market instrument relied upon for determining credit rating as required by Paragraph (a)(1)(ii)(H) of Rule 17q-7

Among the main information used for the rating is:

- Annual Audited reports obtained from public record, regulatory filings and from the Company.
- Inter-annual financial statements and operational results, with exception of the internal quarterly information of 2019, 2020 and 2021.
- Presentations provided by the Company.
- Credit Loan and Warranty Details.
- Funding Structure.
- Liquidity Positions.
- Derivatives Position.
- Corporate Governance.
- Accounting Policies.
- The Export-Import Bank of Korea Act.



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#### 9. Overall assessment of quality of information available and considered in determining credit rating as required by Paragraph (a)(1)(ii)(I) of Rule 17q-7

The quality of the information provided by the entity is considered to be consistent with the quality observed within the asset class.

#### 10. Information relating to conflicts of interest as required by Paragraph (a)(1)(ii)(J) of Rule 17q-7

The rating was solicited by the entity or issuer, or on its behalf, and therefore, HR Ratings has received the corresponding fees for the rating services provided. The following information can be found on our website at <https://www.hrratings.com/> (i) The internal procedures for the monitoring and surveillance of our ratings and the periodicity with which they are formally updated, (ii) the criteria used by HR Ratings for the withdrawal or suspension of the maintenance of a rating, and (iii) the procedure and process of voting on our Analysis Committee. The Analysis has been performed with complete independence from the received fees or any other business relation with the entity and in absolute concordance with the applicable methodologies.

The ratings and/or opinions assigned are issued on behalf of HR Ratings, not of its management or technical staff, and do not constitute an investment recommendation to buy, sell, or hold any instrument nor to perform any business, investment or other operation. The assigned ratings and/or opinions issued may be subject to updates at any time, in accordance with HR Ratings' methodologies.

#### 11. Explanation or measure of potential volatility to the credit rating as required by Paragraph (a)(1)(ii)(K) of Rule 17q-7

1. Factors that are reasonably likely to lead to a change in the credit rating:

- **Downgrade of South Korea's sovereign rating.** The weakening of the credit rating below Mexico's sovereign rating would directly impact the assigned local scale rating.
- **Elimination of support from South Korea through regulatory changes to the KEXIM Act.** This would lead KEXIM to lose the support of the Korean Government, however, we consider this scenario unlikely due to the Bank's strategic importance.

2. The magnitude of the change that could occur under different market conditions determined by HR Ratings to be relevant to the rating:

- **Severe recession of the global economy in 2022.** In the event of a contraction in global economy due to pressure in inflation rates, increases in global interest rates and pressures in the supply chain, as well as a significant deterioration in the exchange rate, which could pressure upward pressure the net debt to GDP metric, could lead to a Mexico's sovereign debt downgrade, affecting the credit rating.

#### 12. Historical performance and expected probability of default and expected loss in event of default as required by Paragraph (a)(1)(ii)(L) of Rule 17q-7

For historical performance of each rating listed in the disclosure form, click on the link in the ratings table presented on the first page.

Our credit ratings need to be understood as rankings of the relative creditworthiness of different entities or credits. Creditworthiness takes into consideration both the ability and willingness to meet debt obligations in the manner prescribed in the relevant documentation. Default refers to the noncompliance of previously agreed obligations.

As our ratings measure relative creditworthiness, they do not necessarily reflect any specific statistical probability of default. In order to make more valid rankings of creditworthiness our different methodologies will apply stress case scenarios to complement our base case analysis.

#### 13. Assumptions made by HR Ratings in determining announced credit ratings and examples of how assumptions impact the rating as required by Paragraph (a)(1)(ii)(M) of Rule 17q-7

1. Assumptions made in the ratings process that, without accounting for any other factor, would have the greatest impact on the credit rating if proven false or inaccurate:

- The rating of KEXIM 19 and KEXIM 21 is based on The Export-Import Bank of Korea, that has a rating equivalent above HR AAA.



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- The rating for the Bank is based on the explicit financial backup the Government has agreed on giving, according to The Export-Import Bank of Korea Act.
  - Healthy solvency levels, maintaining a capitalization index of 14.8% at the end of the 4Q21 (vs. 15.1% at the end of the 4Q20).
  - Adequate portfolio performance, with the Delinquency Ratio and Adjusted Delinquency Ratio standing at 1.3% and 1.4% at 4Q21 (vs. 0.8% and 1.1% at 4Q20).
  - Low profitability indicators, with an average ROA of 0.1% at the end of 2020 (vs. 0.5% at the end of 2019).
2. Analysis, using specific examples, of how each of the assumptions identified in the preceding paragraph impacts the credit rating:
- Elimination of support from South Korea through regulatory changes to the KEXIM Act. This would lead KEXIM to lose the support of the Korean Government, which could negatively impact the credit rating.
  - Downgrade of South Korea's sovereign rating. The weakening of the credit rating below Mexico's sovereign rating would directly impact the assigned local scale rating.
  - If the Company's solvency levels close below our expectations, at levels below 10.5%, it could negatively impact the credit rating. In case that the loan portfolio shows an aggressive increase and poor quality after origination, the solvency ratios could show a pressure. This last point is under the assumption that the Bank does not have the support of the South Korean government and that the overall rating of the South Korean government is below Mexico's overall rating.
  - If the Company's delinquency ratios close above our expectations, at levels above 10.0%, it could negatively impact the credit rating. Significant pressure on the quality of the loan portfolio because of the health contingency or global economic pressures. This last point is under the assumption that the Bank does not have the support of the South Korean government and that the overall rating of the South Korean government is below Mexico's overall rating.
  - If the Company's profit margins close below our expectations, reaching levels below a ROA of 0.0%, it could negatively impact the credit rating. This last point is under the assumption that the Bank does not have the support of the South Korean government and that the overall rating of the South Korean government is below Mexico's overall rating.

**14. Representations, warranties and enforcement mechanisms available to investors as required by Paragraph (a)(1)(ii)(N) of Rule 17g-7**

The reporting of representations, warranties, and enforcement mechanisms does not apply to the credit rating listed in this disclosure form as it is not assigned to an asset-backed security.



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### Credit Rating Attestation

I, Angel Garcia, Financial Institutions / ABS Director, have the responsibility for this rating action and, to the best of my knowledge:

- No part of the credit rating was influenced by any other business activities.
- The credit rating was based solely upon the merits of the obligor, security or money market instrument being rated and any relevant credit enhancement; and
- The credit rating was an independent evaluation of the risks and merits of the obligor, security or money market instrument and any relevant credit enhancement

Mexico City, July 27<sup>th</sup>, 2022

/S/ Angel García Financial Institutions / ABS Director  
HR Ratings de México, S.A. de C.V.



## HR Ratings Management Contacts

### Management

#### Chairman of the Board of Directors

Alberto I. Ramos +52 55 1500 3130  
alberto.ramos@hrratings.com

#### Chief Executive Officer

Pedro Latapí +52 55 8647 3845  
pedro.latapi@hrratings.com

#### Vice President of the Board of Directors

Aníbal Habeica +52 55 1500 3130  
anibal.habeica@hrratings.com

### Analysis

#### Chief Credit Officer / Economic Analysis

Felix Boni +52 55 1500 3133  
felix.boni@hrratings.com

#### Secured Public Finance / Infrastructure

Roberto Ballinez +52 55 1500 3143  
roberto.ballinez@hrratings.com

Roberto Soto +52 55 1500 3148  
roberto.soto@hrratings.com

#### Financial Institutions / ABS

Angel García +52 55 1253 6549  
angel.garcia@hrratings.com

Akira Hirata +52 55 8647 3837  
akira.hirata@hrratings.com

#### Unsecured Public Finance / Sovereigns / Economic Analysis

Ricardo Gallegos +52 55 1500 3139  
ricardo.gallegos@hrratings.com

Álvaro Rodríguez +52 55 1500 3147  
alvaro.rodriguez@hrratings.com

#### Corporates / ABS

Luis Miranda +52 52 1500 3146  
luis.miranda@hrratings.com

Heinz Cederborg +52 55 8647 3834  
heinz.cederborg@hrratings.com

#### Sustainable Impact / ESG

Luisa Adame +52 55 1253 6545  
luisa.adame@hrratings.com

### Regulation

#### Chief Risk Officer

Rogelio Argüelles +52 181 8187 9309  
rogelio.arguelles@hrratings.com

#### Head Compliance Officer

Alejandra Medina +52 55 1500 0761  
alejandra.medina@hrratings.com

### Business

#### Business Development

Verónica Cordero +52 55 1500 0765  
veronica.cordero@hrratings.com

Carmen Oyoque +52 55 5105 6746  
carmen.oyoque@hrratings.com

### Operations

#### Operations

Daniela Dosal +52 55 1253 6541  
daniela.dosal@hrratings.com



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Mexico: Guillermo González Camarena No. 1200, Piso 10, Colonia Centro de Ciudad Santa Fe, Del. Álvaro Obregón, C.P. 01210, Ciudad de México. Tel 52 (55) 1500 3130.  
United States: One World Trade Center, Suite 8500, New York, New York, ZIP Code 10007, Tel +1 (212) 220 5735.

HR Ratings de México, S.A. de C.V. (HR Ratings), is a securities rating agency authorized by the Mexican Banking and Securities Commission (Comisión Nacional Bancaria y de Valores (CNBV)), registered with the U.S. Securities and Exchange Commission (SEC) as a Nationally Recognized Statistical Rating Organization (NRSRO) for public finance assets, corporates and financial institutions, as described in Section 3(a)(62)(A) article (v) of the U.S. Securities Exchange Act of 1934, and certified as a Credit Rating Agency (CRA) by the European Securities and Markets Authority (ESMA).

The above rating was requested by the entity or issuer, or on their behalf, and therefore HR Ratings has received the fees corresponding for the rating services provided. The following information is available on our website [www.hrratings.com](http://www.hrratings.com): (i) HR Ratings' procedure for monitoring our ratings and the frequency of reviews; (ii) the criteria applied by this rating agency to withdraw or suspend a rating, (iii) the structure and voting process of our Credit Analysis Committee, and (iv) the rating scales and their definitions.

The ratings and/or opinions of HR Ratings de México S.A. de C.V. (HR Ratings) are opinions on credit quality and/or asset management, or refer to performance in terms of the corporate purpose for issuer companies and other entities or sectors, and are based solely on the characteristics of the entity, offering, and/or transaction, independent of any business activity between HR Ratings and the entity or issuer. The ratings and/or opinions given or issued are not recommendations to buy, sell, or hold any instrument or to conduct any type of business, investment, or operation, and may be subject to adjustment at any time, according to the rating methodologies of HR Ratings and the terms of article 7, section II and/or III, accordingly, of the "General provisions applicable to securities issuers and other participants in the securities market".

HR Ratings bases its ratings and/or opinions on information gathered from sources it considers accurate and reliable. HR Ratings, however, does not guarantee or vouch for the accuracy, precision, or completeness of any information and is not responsible for any error or omissions or for results obtained from the use of this information. Most issuers of debt instruments rated by HR Ratings have paid a credit rating fee based on the quantity and type of offering. The goodwill of the security or the solvency of the issuer, and, accordingly, the opinion given on the capacity of an entity in terms of asset management and performance on its corporate purpose may change, which may improve or lower the rating, without this implying any liability for HR Ratings. HR Ratings gives its ratings and/or opinions ethically and in adherence of healthy market practices and in compliance with applicable regulations, which can be found on the company website at [www.hrratings.com](http://www.hrratings.com), where documents such as the Code of Conduct, methodologies or criteria for rating, and current ratings are available.

The ratings and/or opinions given by HR Ratings include a credit quality analysis for an entity, issuer, and/or offering, therefore they do not necessarily reflect a statistical probability of default on payment, this being understood as the impossibility or lack of willingness of an entity or issuer to settle its contractual obligations of payment, in which case creditors and/or holders are forced to take measures to recover their investment, including restructuring the debt due to the debtor facing a situation of stress. However, to give our opinions on credit quality greater validity, our methodology considers stressed scenarios as a complement to the analysis prepared on a base scenario. The fees HR Ratings receives from issuers generally range from US\$1,000 to US\$1,000,000 (or the equivalent in another currency) per rating. In some cases, HR Ratings will rate some or all the offerings of a particular issuer for an annual fee. Annual fees vary between US\$5,000 and US\$2,000,000 (or the equivalent in another currency).