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1. A to Z of Interbank Credit Facility

Overview of Interbank Credit Facility

Interbank Credit Facility is a finance package offered by the Export-Import Bank of Korea (KEXIM) to foreign banks in the form of a credit line that can be utilized by those banks to make loans to their local clients.

The foreign banks can provide the loans to three different categories of clients for certain purposes: first, a local company for the payment of goods or services importing from Korea; second, a Korean Company’s subsidiary, a.k.a. Korea Related Company (KRC) for operating business in the foreign country; and third, a local company for the purchase and sales of goods and services from and to KRC.

KEXIM provides the loans to creditworthy foreign banks through the credit lines established with them, then the foreign banks re-lend the funds to their local clients (sub-loans) based on their credit and/or collateral. If the corporate client has either direct or indirect business relationships with Korean Companies, it may consider using the Interbank Credit Facility as one of its financing options.

Types of Interbank Credit Facility

The Interbank Credit Facility is classified into Interbank Export Loan and Untied Interbank Loan.

The Interbank Export Loan is designed to provide funding to local companies importing goods or services from Korea.

The Untied Interbank Loan is designed to provide funding to Korea Related Companies (KRCs) or Transacting Companies (TCs).

* KRC (Korea Related Company): Any local company whose equity is owned by a Korean company with no less than 10% of total shares

** TC (Transacting Company): Any local company having a business relationship with a KRC
Finding the Best Financing Option for you

Foreign Company

If your company has a direct or indirect business relationship with a Korean Company, it can have access to relatively favorable financing conditions with a suitable tenor and flexible repayment schedule by utilizing KEXIM’s Interbank Credit Facility.

If your company fits into a case below:
- Any foreign importing company who expects to provide deferred payment to Korean exporter who, on the contrary, prefers to receive payments immediately
  ⇒ Check Out Interbank Export Loan
- Any foreign company who seeks to receive payment without delay after selling goods or services to a Korea Related Company
- Any foreign company who needs to extend the payment settlement period for its purchase of goods or services from a Korea Related Company
  ⇒ Check Out Untied Interbank Loan

Korean Company

Since, in many cases, local buyers are not acquainted with the Interbank Credit Facility, your company may inform your foreign buyers worldwide of the Interbank Credit Facility. If they decide to opt in, your company can benefit from faster and safer receipt of payments by those business partners in foreign countries. Your company can get a head start just by sharing this brochure with your buyers.

If your company fits into a case below:
- Any Korean company who prefers to receive payment from its importer immediately without the importer’s credit risk
- Any Korean company who attempts to increase the possibility of winning a sales contract by offering the potential buyer an attractive financing option
  ⇒ Check Out Interbank Export Loan
- Any Korea Related Company who seeks to get a loan from a local bank to finance working capital or installation of equipments
- Any Korea Related Company who wants to receive payments without delay from its local buyer
- Any Korea Related Company who would like to explore financing solutions for its local supplier for a stable delivery of supplies
  ⇒ Check Out Untied Interbank Loan

Next steps:

Step 1. Check if there is any KEXIM credit line(s) established in your country.
  Tip! After connecting to www.koreaexim.go.kr,
  Click ‘Financial Product’ ⇒ ‘Loans’ ⇒ ‘Indirect Loan’ ⇒ ‘Interbank Credit Facility Program’

Step 2. Visit the bank nearby with which a KEXIM credit line has been established and consult a representative regarding the loan program.
  Tip! If you have any difficulty to find one, ask your Korean partner company to refer you to KEXIM to contact the local bank.

Step 3. After consultation, the local bank may submit the loan application to KEXIM, depending on the assessment results of your company.

Step 4. After discussing terms and conditions with the local bank, KEXIM approves and disburses the loan.

Next steps:

Step 1. Check if there is any KEXIM credit line established in your relevant country. If you find one, contact the KEXIM officer in charge of the country and get the contact information of the local bank.
  Tip! After connecting to www.koreaexim.go.kr,
  Click ‘Financial Product’ ⇒ ‘Loans’ ⇒ ‘Indirect Loan’ ⇒ ‘Interbank Credit Facility Program’

Step 2. Inform your local buyer of the contact information and suggest the buyer consult the local bank.

Step 3. After consultation, the local bank may submit the loan application to KEXIM, depending on the assessment results of the buyer company.

Step 4. After discussing terms and conditions with the local bank, KEXIM approves and disburses the loan.
List of KEXIM Credit Lines

Based on the close and broad cooperative network that KEXIM has built with its partner banks across the globe, KEXIM has extended US$ 7.7 billion to 36 banks in 16 countries. You can find detailed information regarding the list of banks, updated monthly, by connecting to: www.koreaexim.go.kr.

Click 'Financial Product' ➞ 'Loans' ➞ 'Indirect Loan'

(Unit: USD million)

- **Middle East (4 Banks, 600)**
  - Turkey (4 Banks, 600)

- **CIS (11 Banks, 2,195)**
  - Russia (6 Banks, 1,790)
  - Uzbekistan (4 Banks, 305)

- **Asia (12 Banks, 3,318)**
  - India (2 Banks, 2,300)
  - Indonesia (1 Bank, 9)
  - Philippines (1 Bank, 730)
  - Vietnam (1 Bank, 174)
  - Mongolia (3 Banks, 55)
  - Sri Lanka (1 Bank, 50)

- **Latin America (7 Banks, 1,480)**
  - CABEI (100)
  - Santander Brasil (Brazil, 500)
  - Itau Unibanco S.A (Brazil, 400)
  - Bancolombia (Colombia, 50)
  - Bancomext (Mexico, 200)
  - Banco de Credito del Peru (Peru, 200)
  - Banco del Pacifico (Ecuador, 30)

- **Africa (2 Banks, 150)**
  - Nigeria (2 Banks, 150)
2. Benefits of Interbank Credit Facility

▶ Benefits of Interbank Export Loan

Korean Exporter

Using the Interbank Export Loan, Korean exporters can benefit from the following:

1. Immediate receipt of payments without any credit risk on the importer or the importer’s country;
2. No obligation of redemption in the case of importer’s default and no requirement of the exporter’s credit or collateral since KEXIM provides the loan based on the foreign bank’s credit;
3. Suitable financing method for multiple repetitive transactions in small-to-medium amounts;
4. Suitable financing method for various terms of payments (L/C, D/A, D/P, etc); and
5. Increasing the possibility of winning a contract by offering the potential buyer an attractive financing option

Foreign Importer

Using the Interbank Export Loan, foreign importers can benefit from the following:

1. Favorable financing conditions with a suitable tenor and flexible repayment schedule; and
2. Smooth Financing for foreign importers located in the countries where it is relatively difficult to finance in foreign currencies such as US dollar or Euro

▶ Benefits of Untied Interbank Loan

Using the Untied Interbank Loan, KRCs and TCs can benefit from the following:

1. TCs can enjoy more flexible terms and conditions than those offered by the Interbank Export Loan under the OECD arrangement since the loan does not necessarily require underlying export transactions from Korea;
2. KRCs can receive funds for various purposes including the following, other than export transactions:
   ① The purchase and installation of equipments and machinery;
   ② Strategic equity or productive investment; and
   ③ Working capital requirement
3. KRCs can strengthen relationship with their local partners since the loan is mutually beneficial to both parties.
3. Case Study of Interbank Credit Facility

Cases and Procedure of Interbank Export Loan

There are three types of disbursement methods for individual transactions under the Interbank Export Loan: L/C Procedure, Direct Payment Procedure, and Reimbursement Procedure.

>>> Case 1. L/C Procedure
- Exporter: A company in Korea
- Importer: B company in Uzbekistan
- Traded goods: Automobile parts
- Contract amount: USD 10 million

① A sales contract of automobile parts was entered into by and between A company and B company.
② B company requested the local bank in Uzbekistan, which KEXIM has established a credit line with, for the loan for its payment to A company.
③ The local bank issued a Letter of Credit for the benefit of A company.
④ Upon shipment of goods, A company presented the shipping documents to KEXIM. KEXIM, in turn, sent the documents to the bank in Uzbekistan.
⑤ Upon receiving the documents, KEXIM disbursed funds for the payment to A company.

>>> Case 2. Direct Payment Procedure
- Exporter: A company in Korea
- Importer: B company in India
- Traded goods: Excavators
- Contract amount: USD 20 million

① A sales contract of excavators was entered into by and between A company and B company.
② B company requested the local bank in India, which KEXIM has established a credit line with, for the loan for its payment to A company.
③ Upon shipment of goods, A company presented the shipping documents to the bank in India.
④ After checking the documents, the Indian bank requested KEXIM for the disbursement of funds.
⑤ KEXIM makes direct payment to A company.

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Cases and Procedure of Untied Interbank Loan

The Untied Interbank Loan Facility is classified into two: KRC Loan and TC Loan, based on the end-user.

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Case 1. KRC Loan for Installation of Equipments
- End-user: KRC in India
- Purpose: Expansion of plant
- Amount: USD 30 million

1. A KRC in India planned to expand its plant. But the company found it hard to get a loan since local banks demanded guarantee from its parent company.
2. The KRC requested the bank in India, which KEXIM has established a credit line with, to utilize the KEXIM credit line.
3. After assessment, the Indian bank submitted the loan application to KEXIM. KEXIM approved and disbursed the loan.
4. The plant expansion project was successfully financed by the KRC loan.

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Case 3. Reimbursement Procedure
- Exporter: A company in Korea
- Importer: B company in Turkey
- Traded goods: Petrochemicals
- Contract amount: USD 30 million

1. A sales contract of petrochemicals was entered into by and between A company and B company.
2. B company requested the local bank in Turkey, which KEXIM has established a credit line with, for the loan for its payment to A company.
3. Upon shipment of goods, A company presented the shipping documents to the bank in Turkey.
4. Upon receiving the documents, the Turkish bank made payment to A company.
5. Upon the Turkish bank’s request of reimbursement, KEXIM disbursed the funds to the Turkish bank.
4. Terms & Conditions

▶ Terms & Conditions of Interbank Export Loan Facility

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<th>Long-Term</th>
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<td>Goods, Services</td>
<td></td>
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<tr>
<td>Max. Loan tenor</td>
<td>Less than 2 years</td>
<td>2~10 years</td>
</tr>
<tr>
<td>Max. Loan amount</td>
<td>100% of Contract Amount</td>
<td>85% of Contract Amount</td>
</tr>
<tr>
<td>Terms of Payment</td>
<td>L/C, D/A, D/P, etc</td>
<td></td>
</tr>
<tr>
<td>Repayment</td>
<td>Bullet Payment or Semi-Annual Repayments</td>
<td>Level Semi-Annual Repayments</td>
</tr>
</tbody>
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▶ Terms & Conditions of Untied Interbank Loan Facility

<table>
<thead>
<tr>
<th>KRC Loan</th>
<th>TC Loan</th>
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<tbody>
<tr>
<td>End-User</td>
<td>Korea Related Company</td>
</tr>
<tr>
<td>Repayment</td>
<td>Semi-Annual Repayments (Max. Grace Period : 3 years)</td>
</tr>
</tbody>
</table>

Note: The above terms and conditions shall be determined through consultations between KEXIM and its foreign partner banks. The terms and conditions for the sub-loans of each bank may or may not be aligned with one another.

Case 2. TC Loan for car dealer financing
- End-user: TC in Brazil (car dealer)
- Purpose: Purchase of completed automobiles manufactured by KRC
- Amount: USD 5 million

1. A local car dealer in Brazil inquired a KRC in Brazil about a loan it can use to purchase the KRC’s cars.
2. The KRC introduced TC loan to the dealer. The KRC referred the TC to the bank in Brazil, which KEXIM has established a credit line with, for the loan.
3. After assessment, the Brazilian bank submitted the loan application to KEXIM. KEXIM approved and disbursed the loan.
4. The Brazilian bank provided the loan to the local car dealer.
5. MDB Guarantee Program

Interbank Credit Facility linking with MDB Guarantee Program

With MDB (Multilateral Development Bank) guarantee, KEXIM can provide the Interbank Export Loans to foreign banks without establishing individual credit lines.

KEXIM can confirm Letter of Credit (L/C) issued by a foreign bank and extend loans to the bank without having established a credit line to support foreign companies in purchasing Korean goods or services once the payment is guaranteed by MDB.

Financing individual export/import transaction is to be determined through consultations among and assessments by the foreign bank, MDB, and KEXIM.

As of now, this program is only applicable for the trades between companies in Korea, and Latin America and the Caribbean countries. KEXIM has joined the IDB (Inter-American Development Bank) guarantee program in March 2015. For more information, check www.iadb.org -> 'Trade Finance Facilitation Program.'

6. FAQ

1. How is the interest rate for sub-loan calculated?

The interest of sub-loan is determined by the sum of the interest rate offered to a foreign bank by KEXIM and the foreign bank’s margin on the sub-loan. KEXIM’s funding cost, sovereign rating of the foreign country, bank’s credit rating, loan tenor, and loan amount are factored into the KEXIM’s pricing extended to the foreign bank. On top of that, the foreign bank adds up its margin after assessing the credit of borrower and other cost factors such as foreign exchange SWAP, then determines the final level of interest borne by the borrower.

2. How long is the maximum repayment period?

For the Interbank Export Loan, the maximum repayment period follows the OECD arrangement.

For the Untied Interbank Loan, the maximum repayment period is determined on a case-by-case basis by reviewing characteristics of each transaction. Note however that the maximum repayment period of the KRC loan for working capital is limited up to three years.

3. In the case of the Interbank Export Loan, is there any document that exporters should prepare?

It depends on what disbursement method is used. In the case of L/C Procedure, L/C and documentary evidence that verifies the transaction should be submitted. Generally the confirmation letter of export shall be accepted.
4. If importer defaults on payment, is exporter obliged to redeem the defaulted amount?

Since KEXIM extends the Interbank Export Loan based on the foreign bank’s credit, as long as the exporter fulfills its shipment obligation, the exporter does not have any obligations for redemption for the default in payment made by the importer.

5. What is the first thing to do to utilize the Interbank Credit Facility?

Please visit KEXIM’s website (www.koreaexim.go.kr) and see if KEXIM credit line(s) is established in your country. If you find a credit line in the country, you can contact the KEXIM officer in charge of the country to get the contact information of the local bank.

You can inform your local buyer or KRC of the contact information and suggest them consult the local bank.

6. If there is no KEXIM credit line established in the country of my concern, what should I do?

KEXIM may consider establishing a new credit line with the country, depending on the characteristics of the transaction you are contemplating. But it would take time for us to contact the foreign bank, assess its credit risks and negotiate the agreement. Notwithstanding, please contact us for more information.