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PRICING SUPPLEMENT

KOREA HOUSING FINANCE CORPORATION

(a statutory juridical corporation organised under the laws of the Republic of Korea)

Issue of EUR800,000,000 2.696% Green Covered Bonds due 2031 under the U.S.$15,000,000,000 Global Covered Bond Programme

THE COVERED BONDS TO WHICH THIS PRICING SUPPLEMENT RELATES (THE "**COVERED BONDS**") HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND, UNLESS SO REGISTERED, MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. ACCORDINGLY, THE COVERED BONDS WILL BE OFFERED AND SOLD ONLY OUTSIDE THE UNITED STATES TO NON-U.S. PERSONS IN RELIANCE ON REGULATION S.

IN CONNECTION WITH THIS ISSUE, THE STABILISING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE COVERED BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL FOR A LIMITED PERIOD AFTER THE ISSUE DATE. HOWEVER, THERE MAY BE NO OBLIGATION ON THE STABILISING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) TO UNDERTAKE STABILISATION ACTION. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME, AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. SUCH STABILISING SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.

Managers (in alphabetical order)

Crédit Agricole CIB | **ING** | **J.P. Morgan**

Société Générale Corporate & Investment Banking | **Standard Chartered Bank**

The date of this Pricing Supplement is 4 March 2026.

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PRICING SUPPLEMENT

24 February 2026

KOREA HOUSING FINANCE CORPORATION

Issue of EUR800,000,000 2.696% Green Covered Bonds due 2031 under the
U.S.$15,000,000,000 Global Covered Bond Programme

MiFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

UK MiFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PRIIPs REGULATION – PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

UK PRIIPs REGULATION - PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"). Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Covered

Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Part A—Contractual Terms

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 15 July 2025. This document constitutes the Pricing Supplement relating to the issue of the Covered Bonds described herein and contains the final terms of the Covered Bonds and must be read in conjunction with the Offering Circular.

The Covered Bonds have not been registered with the Financial Services Commission of Korea under the Financial Investment Services and Capital Markets Act of Korea. Accordingly, the Covered Bonds may not be offered, delivered, or sold, directly or indirectly, in the Republic of Korea ("**Korea**") or to any resident of Korea (as defined in the Foreign Exchange Transaction Act of Korea and the rules and regulations promulgated thereunder) or to others for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except as otherwise permitted under applicable Korean laws and regulations.

1	Issuer:	Korea Housing Finance Corporation
2	(i) Series Number:	2026-1
	(ii) Tranche Number:	1
3	Specified Currency or Currencies:	Euro ("EUR")
4	Aggregate Nominal Amount:	
	(i) Series:	EUR800,000,000
	(ii) Tranche:	EUR800,000,000
5	Issue Price:	100.000 per cent. of the Aggregate Nominal Amount
6	(i) Specified Denominations:	EUR100,000 and integral multiples of EUR1,000 in excess thereof
	(ii) Calculation Amount:	EUR1,000
7	(i) Issue Date:	4 March 2026
	(ii) Interest Commencement Date (if different from the Issue Date):	Not Applicable
	(a) Period to Maturity Date:	Not Applicable
	(b) Period from Maturity Date up to Extended Maturity Date:	Not Applicable
8	(i) Maturity Date:	4 March 2031
	(ii) Extended Maturity Date:	Not Applicable
9	Interest Basis:	
	(i) Period to (and including) Maturity Date:	2.696 per cent. Fixed Rate (further particulars specified below)
	(ii) Period from (but excluding) Maturity Date up to (and including) Extended Maturity Date:	Not Applicable

10	Redemption/Payment Basis:	Redemption at par
11	Change of Interest Basis:	Not Applicable
12	Method of distribution:	Syndicated
13	Prohibition of Sales to EEA Retail Investors:	Applicable
14	Prohibition of Sales to UK Retail Investors:	Applicable

Provisions Relating to Interest (if any) Payable

15	Fixed Rate Covered Bond Provisions	
	(i) To Maturity Date:	Applicable
	(ii) Rate(s) of Interest:	2.696 per cent. per annum payable annually in arrear
	(iii) Interest Payment Date(s):	4 March in each year up to and including the Maturity Date
	(iv) Fixed Coupon Amount(s):	EUR26.960 per Calculation Amount
	(v) Broken Amount(s):	Not Applicable
	(vi) Day Count Fraction:	Actual/Actual (ICMA)
	(vii) Determination Date(s):	4 March in each year
	(viii) Other terms relating to the method of calculating interest for Fixed Rate Covered Bonds:	None
16	Floating Rate Covered Bond Provisions:	Not Applicable
17	Zero Coupon Covered Bond Provisions:	Not Applicable

Provisions Relating to Redemption

18	Final Redemption Amount of each Covered Bond:	EUR1,000 per Calculation Amount
19	Early Redemption Amount	EUR1,000 per Calculation Amount

General Provisions Applicable to the Covered Bonds

20	Form of Covered Bonds:	
	Form:	Registered Covered Bonds: Regulation S Global Certificate registered in the name of a nominee for a Common Depositary for Euroclear and Clearstream, Luxembourg
21	Financial Centre(s) or other special provisions relating to Payment Dates:	London, T2 and Seoul
22	Talons for future Coupons to be attached to Definitive Covered Bonds (and dates on which such Talons mature):	No
23	U.S. Selling Restrictions:	Reg. S Compliance Category 2 / TEFRA not applicable

24	Additional U.S. federal income tax considerations:	Not Applicable
25	Calculation Agent:	Not Applicable

LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Covered Bonds described herein pursuant to the U.S.$15,000,000,000 Global Covered Bond Programme of Korea Housing Finance Corporation.

The Singapore Exchange Securities Trading Limited (the "**SGX-ST**") assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Pricing Supplement. Approval in-principle from, admission to the Official List of, and listing and quotation of the Covered Bonds on, the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Programme or the Covered Bonds.

Approval in-principle has been received from the SGX-ST for the Covered Bonds to be recognised under the SGX Sustainable Fixed Income initiative on the SGX-ST. There is no guarantee that such application for recognition under the SGX Sustainable Fixed Income initiative will be approved. Recognition under the SGX Sustainable Fixed Income initiative does not guarantee that the Covered Bonds will satisfy any investor's expectations or requirements on its sustainability-related performance or impact. If approved, the SGX-ST may remove the recognition from the Covered Bonds at its discretion. The latest list of fixed income securities that have been granted recognition under the SGX Sustainable Fixed Income initiative is available at the SGX-ST's website.

Part B—Other Information

1 Listing and Admission to Trading:

(a) Listing and Admission to trading:	Approval in-principle has been received from the SGX-ST for the listing and quotation of the Covered Bonds on the SGX-ST. Application will be made to list the Covered Bonds on the Euro MTF Market of the Luxembourg Stock Exchange. Application will be made to list the Covered Bonds on the Frankfurt Stock Exchange in the Open Market. Approval in-principle has been received from the SGX-ST for the Covered Bonds to be recognised under the SGX Sustainable Fixed Income initiative on the SGX-ST. There is no guarantee that such application for recognition under the SGX Sustainable Fixed Income initiative will be approved. Recognition under the SGX Sustainable Fixed Income initiative does not guarantee that the Covered Bonds will satisfy any investor's expectations or requirements on its sustainability-related performance or impact. If approved, the SGX-ST may remove the recognition from the Covered Bonds at its discretion. The latest list of fixed income securities that have been granted recognition under the SGX Sustainable Fixed Income initiative is available at the SGX-ST's website.
(b) Estimate of total expenses related to admission to trading on the SGX ST:	SGD 0

2	Use of proceeds:	An amount equal to the net proceeds from the issue of the Covered Bonds will be used by the Issuer to finance and/or refinance, in whole or in part, new or existing eligible green project categories meeting the eligibility criteria set out in the Issuer's Sustainable Financing Framework dated February 2026 (which is available on the Issuer's website).
3	Ratings	The Covered Bonds to be issued are expected to be assigned the following rating: S&P: AAA Moody's: Aaa

4 Interests of Natural and Legal Persons involved in the Issue

Save for any fees payable to the Managers, so far as the Issuer is aware, no person involved in the issue of the Covered Bonds has an interest material to the offer. The Managers and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.

5 Yield to Maturity Date (Fixed Rate Covered Bonds only)

Indication of yield:	2.696 per cent. per annum

6	Provisions Relating to Green Bonds, Social Bonds or Sustainability Bonds	
	(a) Green Bonds:	Yes
	(b) Social Bonds:	No
	(c) Sustainability Bonds:	No
	Reviewer:	DNV Business Assurance Korea Ltd.
7	Operational Information	
	(a) ISIN Code:	XS3284973107
	(b) Common Code:	328497310
	(c) LEI:	9884002AAOBT56QW9B80
	(d) Any clearing system(s) other than DTC, Euroclear, Clearstream, Luxembourg and the relevant identification number(s):	Not Applicable
	(e) Delivery:	Delivery against payment
	(f) Names and addresses of additional Paying Agent(s) (if any):	Not Applicable

Schedule A – Recent Developments

This section provides information that supplements or replaces certain information in the Offering Circular under the headings corresponding to the headings below. Capitalized terms used without definition in this section or elsewhere in this Pricing Supplement have the meanings given to such terms in the Offering Circular. If the information in this section differs from the information in the Offering Circular, potential investors should refer to the information in this section.

THE REPUBLIC OF KOREA

The Economy

Gross Domestic Product

Based on preliminary data, GDP growth in the first nine months of 2025 was 0.7% at chained 2020 year prices, primarily due to a 4.0% increase in exports of goods and services and a 1.5% increase in aggregate private and general government consumption expenditures, the effects of which were offset in part by a 3.8% increase in imports of goods and services and a 3.5% decrease in gross domestic fixed capital formation, each compared with the corresponding period of 2024.

Principal Sectors of the Economy

Prices, Wages and Employment

Based on preliminary data, the inflation rate was 2.1% and the unemployment rate was 2.8% in the first nine months of 2025.

The Financial System

Securities Markets

The Korea Composite Stock Price Index 3,245.4 on 31 July 2025, 3,186.0 on 29 August 2025, 3,424.6 on 30 September 2025, 4,107.5 on 31 October 2025, 3,926.6 on 28 November 2025, 4,214.2 on 30 December 2025, 5,224.4 on 30 January 2026 and 5,969.6 on 24 February 2026.

Monetary Policy

Foreign Exchange

The market average exchange rate between the Won and the U.S. Dollar (in Won per one U.S. Dollar) as announced by the Seoul Money Brokerage Service Ltd. was Won 1,382.9 to US$1.00 on 31 July 2025, Won 1,388.6 to US$1.00 on 29 August 2025 and 1,402.2 to US$1.00 on 30 September 2025, 1,423.2 to US$1.00 on 31 October 2025, 1,464.8 to US$1.00 on 28 November 2025, 1.434.9 to US$1.00 on 31 December 2025, 1,427.0 to US$1.00 on 30 January 2026 and 1,442.0 to US$1.00 on 24 February 2026.

Balance of Payments and Foreign Trade

Balance of Payments

Based on preliminary data, the Republic's current account surplus in the first nine months of 2025 increased to US$82.8 billion from the current account surplus of US$67.2 billion in the corresponding period of 2024, primarily due to increases in surpluses from the goods account and the income account, the effects of which were offset in part by an increase in deficit from the service account.

Trade Balance

Based on preliminary data, the Republic recorded a trade surplus of US$50.4 billion in the first nine months of 2025. Exports increased by 2.2% to US$519.7 billion in the first nine months of 2025 from US$508.5 billion in the corresponding period of 2024, primarily due to a substantial growth in demand for semiconductor products globally. Imports decreased by 0.5% to US$469.3 billion in the first nine months of 2025 from US$471.9

billion in the corresponding period of 2024, primarily due to a decrease in energy and commodity prices, which also led to decreased unit prices of other major raw materials.

Foreign Currency Reserves

The amount of the Government's foreign currency reserves was US$430.7 billion as of November 28, 2025.

Government Finance

Effective January 2, 2026, the responsibility of preparing the Government budget and administering the Government's finances has been transferred from the Ministry of Economy and Finance to the Ministry of Planning and Budget, a new ministry established under the Prime Minister's Office.

Under the National Finance Act, the Government's fiscal year commences on January 1. The Government must submit the budget, which is drafted by the Minister of Planning and Budget and approved by the President of the Republic, to the National Assembly not later than 120 days prior to the start of the fiscal year, and may submit supplementary budgets revising the original budget at any time during the fiscal year.

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Offering Circular dated 15 July 2025

KOREA HOUSING FINANCE CORPORATION

Korea Housing Finance Corporation

(*a statutory juridical corporation organised under the laws of the Republic of Korea*)

U.S.$15,000,000,000
Global Covered Bond Programme

Under the U.S.$15,000,000,000 Global Covered Bond Programme (the "**Programme**"), Korea Housing Finance Corporation (the "**Issuer**") may from time to time issue covered bonds in accordance with the KHFC Act (as defined in "*Overview of the Programme*") (the "**Covered Bonds**") denominated in any currency agreed between the Issuer, the Arranger and the relevant Dealer(s) (as defined below). The maximum aggregate nominal amount of all Covered Bonds from time to time outstanding under the Programme will not exceed U.S.$15,000,000,000 (or its equivalent in other currencies calculated as described in the Dealer Agreement described herein), subject to increase as described herein.

The Covered Bonds have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), the securities laws of any state of the United States or the securities laws of any other jurisdiction, and the Issuer has not registered and does not intend to register as an "investment company" under the United States Investment Company Act of 1940, as amended (the "**Investment Company Act**"), in reliance upon the exemption provided by Section 3(c)(7) thereof. The Covered Bonds may not be offered, sold or delivered within the United States or to or for the account or benefit of any person that is a "**U.S. Person**" within the meaning of Regulation S under the Securities Act ("**Regulation S**") or a "**U.S. Resident**" (defined as a "**U.S. Person**" under Regulation S, as such term has been interpreted by the U.S. Securities and Exchange Commission Staff in the context of Section 7(d) of the Investment Company Act) (any such person, a "**U.S. Investor**") unless the purchaser is both (1) a "**qualified institutional buyer**" (a "**QIB**") within the meaning of Rule 144A under the Securities Act ("**Rule 144A**") and (2) a "**qualified purchaser**" (a "**QP**") within the meaning of Section 2(a)(51) of the Investment Company Act and the rules and regulations thereunder, acting for its own account or for the account of another QIB that is a QP (and meets the other requirements set forth herein) (such persons, "**QIB/QPs**"). Covered Bonds offered to persons that are not U.S. Investors ("**Non-U.S. Investors**") will be offered and sold in "offshore transactions" within the meaning of Regulation S not subject to the registration requirements of the Securities Act pursuant to Rule 903 of Regulation S. Covered Bonds may not be reoffered, resold, pledged, exchanged or otherwise transferred except in accordance with the restrictions described under "*Subscription and Sale and Transfer and Selling Restrictions*". The Covered Bonds may be issued on a continuing basis to one or more Dealers specified under "*Overview of the Programme*" below and any additional Dealers appointed under the Programme from time to time, which appointment may be for a specific issue (each, a "**Dealer**" and together, the "**Dealers**"). References in this offering circular (this "**Offering Circular**") to the "relevant Dealer" shall, in the case of an issue of Covered Bonds being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe to such Covered Bonds.

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in connection with the Programme and application will be made for the listing and quotation of any Covered Bonds that may be issued pursuant to the Programme and which are agreed, at or prior to the time of issue thereof, to be so listed and quoted on the SGX-ST. Such permission will be granted when such Covered Bonds have been admitted for listing and quotation on the SGX-ST. There is no assurance that any application to the Official List of the SGX-ST will be approved. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle, admission to the Official List of, and listing and quotation of any of the Covered Bonds on the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Programme or the Covered Bonds.

Notice of the aggregate nominal amount of Covered Bonds, interest (if any) payable in respect of Covered Bonds, the issue price of Covered Bonds and any other terms and conditions not contained herein which are applicable to each Tranche of Covered Bonds will be set out in the pricing supplement (the "**Pricing Supplement**").

The Programme provides that Covered Bonds may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer, the Arranger and the relevant Dealer. The Issuer may also issue unlisted Covered Bonds and/or Covered Bonds not admitted to trading on any market.

Covered Bonds issued under the Programme are expected on issue to be assigned a rating of "AAA" by S&P Global Ratings, a division of S&P Global, Inc. ("**S&P**") and a rating of "Aaa" by Moody's Investor Services, Inc. ("**Moody's**"). The rating of the Covered Bonds will be specified in the applicable Pricing Supplement. S&P and Moody's are established in the European Union and are registered under Regulation (EC) No. 1060/2009, as amended (the "**CRA Regulation**"). As such, each of S&P and Moody's is included in the list of credit rating agencies published by the European Securities and Markets Authority (the "**ESMA**") on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating organisation.

The Issuer may agree with the Arranger and any Dealer that Covered Bonds may be issued in a form not contemplated by the Terms and Conditions of the Covered Bonds (the "**Conditions**") herein, in which event an Offering Circular supplement, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Covered Bonds

See "*Risk Factors*", beginning on page 16, for a discussion of certain factors to be considered in connection with an investment in the Covered Bonds.

THE "RISK FACTORS" SECTION CONTAINS DETAILS OF CERTAIN RISKS AND OTHER FACTORS THAT SHOULD BE GIVEN PARTICULAR CONSIDERATION BEFORE INVESTING IN THE COVERED BONDS. PROSPECTIVE INVESTORS SHOULD BE AWARE OF THE ISSUES SUMMARISED IN THAT SECTION.

Arranger

BNP PARIBAS

Dealers

BNP PARIBAS
BOFA SECURITIES
CITIGROUP
CRÉDIT AGRICOLE CIB
DBS BANK LTD.
DEUTSCHE BANK
HSBC
ING
LANDESBANK BADEN-WÜRTTEMBERG
MORGAN STANLEY
NATIXIS
NOMURA
SOCIETE GENERALE CORPORATE & INVESTMENT BANKING
STANDARD CHARTERED BANK
UBS INVESTMENT BANK

Offering Circular dated 15 July 2025

The Covered Bonds have not been and will not be registered under the Securities Act, the securities laws of any state of the United States or the securities laws of any other jurisdiction, and the Issuer has not registered and does not intend to register as an "investment company" under the Investment Company Act in reliance upon the exemption provided by Section 3(c)(7) thereof.

The Issuer accepts responsibility for the information contained in this Offering Circular and the Pricing Supplement (as defined herein) for each Tranche (as defined herein) of Covered Bonds issued under the Programme. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular and the Pricing Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information. Certain information relating to exchange rates, the Korean financial industry, the Korean stock markets and the Korean residential mortgage industry has been extracted from public sources such as the Financial Supervisory Service (the "**FSS**"), the Bank of Korea (the "**BOK**"), the KRX KOSPI Market of the Korea Exchange ("**KRX KOSPI Market**"), the Ministry of Land, Infrastructure and Transport and the World Bank, and has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by such public sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

None of BNP PARIBAS (the "**Arranger**"), the Dealers, the Bond Trustee (as defined in the conditions), the Initial Collateral Custodian Bank (as defined in the Trust Deed (as defined in the Conditions)) or the Agents (as defined in the Conditions) or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them have separately verified the information contained or incorporated by reference in this Offering Circular. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arranger, the Dealers, the Bond Trustee, the Initial Collateral Account Custodian Bank or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them as to the authenticity, origin, validity, accuracy or completeness of, or any errors in or omissions from, the information or statements contained or incorporated in this Offering Circular or any supplement hereto or any other information provided by the Issuer in connection with the Programme. None of the Arranger, the Dealers, the Bond Trustee, the Initial Collateral Account Custodian Bank or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them accepts any liability in relation to the information provided by the Issuer in connection with the Programme.

To the fullest extent permitted by law, none of the Dealers or the Arranger accepts any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Arranger or a Dealer or on its behalf in connection with the Issuer or the issue and offering of the Covered Bonds. The Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

No person is or has been authorised by the Issuer, any of the Dealers, the Bond Trustee, the Asset Monitor, the Initial Collateral Account Custodian Bank or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them to give any information or to make any representation not contained in or not consistent

with this Offering Circular or any other information supplied in connection with the Programme or the Covered Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger, any of the Dealers, the Bond Trustee, the Asset Monitor, the Initial Collateral Account Custodian Bank or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Covered Bonds (i) is intended to provide the basis of any credit, taxation or other evaluation or (ii) should be considered as a recommendation by the Issuer, the Arranger, any of the Dealers, the Bond Trustee, the Asset Monitor, the Initial Collateral Account Custodian Bank or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Covered Bonds should purchase any Covered Bonds. Each investor contemplating purchasing any Covered Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Covered Bonds constitutes an offer or invitation by or on behalf of the Issuer, the Arranger, any of the Dealers, the Bond Trustee, the Asset Monitor, the Initial Collateral Account Custodian Bank or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them to any person to subscribe for or to purchase any Covered Bonds.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Covered Bonds shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Arranger, the Dealers, the Bond Trustee, the Asset Monitor, the Initial Collateral Account Custodian Bank and the Agents and each of their respective affiliates, directors, employees, agents, representatives, officers and advisers and each person who controls any of them expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Covered Bonds of any information coming to their attention.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Covered Bonds in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Covered Bonds may be restricted by law in certain jurisdictions. None of the Issuer, the Arranger, the Dealers, the Bond Trustee, the Asset Monitor, the Initial Collateral Account Custodian Bank or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them represents that this Offering Circular may be lawfully distributed, or that any Covered Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arranger, any of the Dealers, the Bond Trustee, the Asset Monitor, the Initial Collateral Account Custodian Bank or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any

person who controls any of them which would permit a public offering of any Covered Bonds or distribution of this document in any jurisdiction where action for that purpose is required.

Accordingly, no Covered Bonds may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Covered Bonds come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Covered Bonds. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Covered Bonds in the United States, the European Economic Area, the United Kingdom (the "**UK**"), the Republic of Italy, Switzerland, Japan, Singapore, Hong Kong, the Republic of Korea ("**Korea**" or the "**Republic**"), Australia, the Kingdom of Saudi Arabia, the Dubai International Finance Centre, Qatar, the United Arab Emirates and Canada. See "*Subscription and Sale and Transfer and Selling Restrictions*".

This Offering Circular has been prepared on the basis that any offer of Covered Bonds in any Member State of the European Economic Area (each, a "**Relevant State**") will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of Covered Bonds. Accordingly, any person making or intending to make any offer in that Relevant State of Covered Bonds which are the subject of the offering contemplated in this Offering Circular as contemplated by final terms in relation to the offer of those Covered Bonds may only do so in circumstances in which no obligation arises for the Issuer, the Arranger, any of the Dealers, the Bond Trustee, the Asset Monitor, the Initial Collateral Account Custodian Bank or the Agents to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer. None of the Issuer, the Arranger, any of the Dealers, the Bond Trustee, the Initial Collateral Account Custodian Bank or the Agents have authorised, nor do they authorise, the making of any offer of Covered Bonds in circumstances in which an obligation arises for the Issuer, the Arranger, any of the Dealers, the Bond Trustee, the Initial Collateral Account Custodian Bank or the Agents or to publish or supplement a prospectus for such offer. The expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129.

This Offering Circular has been prepared on the basis that any offer of Covered Bonds in the UK will be made pursuant to an exemption under the UK Prospectus Regulation from the requirement to publish a prospectus for offers of Covered Bonds. Accordingly, any person making or intending to make any offer in the UK of Covered Bonds which are the subject of the offering contemplated in this Offering Circular as contemplated by final terms in relation to the offer of those Covered Bonds may only do so in circumstances in which no obligation arises for the Issuer, the Arranger, any of the Dealers, the Bond Trustee, the Asset Monitor, the Initial Collateral Account Custodian Bank or the Agents to publish a prospectus pursuant to Article 3 of the UK Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation, in each case, in relation to such offer. None of the Issuer, the Arranger, any of the Dealers, the Bond Trustee, the Initial Collateral Account Custodian Bank or the Agents have authorised, nor do they authorise, the making of any offer of Covered Bonds in circumstances in which an obligation arises for the Issuer, the Arranger, any of the Dealers, the Bond Trustee, the Initial Collateral Account Custodian Bank or the Agents to publish or supplement a prospectus for such offer. The expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of domestic law in the UK by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**").

IMPORTANT—EEA RETAIL INVESTORS

If the Pricing Supplement, in respect of any Covered Bonds, includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT—UK RETAIL INVESTORS

If the Pricing Supplement in respect of any Covered Bonds includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation. Consequently, no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

In making an investment decision, investors must rely on their own examination of the Issuer and the terms of the Covered Bonds being offered, including the merits and risks involved. The Covered Bonds have not been approved or disapproved by the United States Securities and Exchange Commission or any other securities commission or other regulatory authority in the United States, nor have the foregoing authorities approved this Offering Circular or confirmed the accuracy or determined the adequacy of the information contained in this Offering Circular. Any representation to the contrary is unlawful.

None of the Arranger, the Dealers, the Bond Trustee, the Asset Monitor, the Initial Collateral Account Custodian Bank, the Agents or the Issuer or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them makes any representation to any investor in the Covered Bonds regarding the legality of its investment under any

applicable laws. The contents of this Offering Circular should not be construed as providing legal, business or tax advice. Any investor in the Covered Bonds should be able to bear the economic risk of an investment in the Covered Bonds for an indefinite period of time.

MiFID II Product Governance/Target Market

The Pricing Supplement in respect of any Covered Bonds may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR Product Governance/Target Market

The Pricing Supplement in respect of any Covered Bonds may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Covered Bonds and which channels for distribution of the Covered Bonds are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Covered Bonds is a manufacturer in respect of such Covered Bonds, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT 2001 OF SINGAPORE – The Pricing Supplement in respect of any Covered Bonds may include a legend entitled "*Notification under Section 309B of the Securities and Futures Act 2001 of Singapore"* which will state the product classification of the Covered Bonds pursuant to section 309B(1) of the SFA. The Issuer will make a determination in relation to each issue about the classification of the Covered Bonds being offered for purposes of section 309B(1)(a). Any such legend included on the relevant Pricing Supplement will constitute notice to "relevant persons" for purposes of section 309B(1)(c) of the SFA.

Notice to investors in Singapore: By accepting this Offering Circular, if you are an investor in Singapore, you: (I) represent and warrant that you are either (1) an institutional investor (as defined in

Section 4A of the SFA); or (2) an accredited investor (as defined in Section 4A of the SFA), and (II) agree to be bound by the limitations and restrictions described therein.

U.S. Information

This Offering Circular may be distributed on a confidential basis in the United States to a limited number of QIB/QPs in connection with the consideration of the purchase of the Covered Bonds being offered hereby. Its use for any other purpose in the United States is not authorised. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

Registered Global Covered Bonds may be offered, sold or delivered within the United States only to QIB/QPs in transactions exempt from registration under the Securities Act. Each U.S. purchaser of Covered Bonds is hereby notified that the offer and sale of any Registered Global Covered Bonds to it may be being made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act.

Each purchaser or holder of Covered Bonds represented by a Rule 144A Global Certificate or any Covered Bonds issued in registered form in exchange or substitution therefor will be deemed, by its acceptance or purchase of any such Covered Bonds, to have made certain representations and agreements intended to restrict the resale or other transfer of such Covered Bonds as set out in "*Subscription and Sale and Transfer and Selling Restrictions*". Unless otherwise stated, terms used in this paragraph have the meanings given to them in "*Summary of Provisions Relating to the Covered Bonds While in Global Form*".

Notice to Persons in the United Kingdom

This communication is only being distributed to and is only directed at (i) persons who are outside the United Kingdom, (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Articles 49(2)(a) to (d) of the Order (each such person being referred to as a "**relevant person**"). The Covered Bonds are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Covered Bonds will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Service of Process and Enforcement of Civil Liabilities

The Issuer is a corporation organised under the laws of Korea. All of the executive officers and directors named herein reside outside the United States and all or a substantial portion of the assets of the Issuer and of such officers and directors are located outside the United States. As a result, it may be difficult for investors to effect service of process upon the Issuer or such persons within the United States, or to enforce judgments against them obtained in U.S. courts predicated upon civil liabilities of the Issuer or such directors and officers under laws other than Korean law, including any judgment predicated upon United States federal securities laws. The Issuer has been advised by Kim & Chang, its counsel, that there is doubt as to the enforceability in Korea, either in original actions or in actions for enforcement of judgments of United States courts, of civil liabilities predicated solely upon the federal securities laws of the United States.

Stabilisation

In connection with the issue of any Tranche of Covered Bonds, the Arranger or any of the Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Pricing Supplement may over-allot Covered Bonds or effect transactions with a view to supporting the market price of the Covered Bonds at a level higher than that which might otherwise prevail. However, there is no obligation on the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) to undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Covered Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date of the relevant Tranche of Covered Bonds and 60 days after the date of the allotment of the relevant Tranche of Covered Bonds. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of Stabilising Manager(s)) in accordance with all applicable laws and rules.

THE COVERED BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKET ACT OF KOREA. ACCORDINGLY, THE COVERED BONDS MAY NOT BE OFFERED, SOLD OR DELIVERED IN KOREA OR TO ANY RESIDENT OF KOREA (AS DEFINED UNDER THE FOREIGN EXCHANGE TRANSACTION LAW OF KOREA AND ITS ENFORCEMENT DECREE) OR TO ANY OTHER PERSON FOR OFFER, RESALE OR RE-DELIVERY DIRECTLY OR INDIRECTLY IN KOREA OR TO ANY RESIDENT OF KOREA, EXCEPT AS OTHERWISE PERMITTED BY APPLICABLE KOREAN LAWS AND REGULATIONS.

Presentation of Financial and Other Information

The Issuer maintains its financial books and records and prepares its financial statements in Won in accordance with International Financial Reporting Standards as adopted by Korea ("**Korean IFRS**"), which differ in certain important respects from generally accepted accounting principles in other countries, including the generally accepted accounting principles in the United States ("**U.S. GAAP**"). As a result, the Issuer's results under Korean Government-controlled Corporation Accounting Standards as of and for the years ended 31 December 2024 and 2023 may differ significantly from comparable figures under U.S. GAAP for these and future periods.

Unless otherwise stated, the financial data contained in this Offering Circular as of and for the years ended 31 December 2024 and 2023 are derived from the Issuer's audited annual consolidated financial statements included herein which have been prepared in accordance with Korean IFRS.

Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

All references in this document to "Won", "KRW" and "₩" refer to the currency of Korea, those to "U.S. dollars", "USD", "U.S.$", "US$" and "$" refer to the currency of the United States of America, those to "S$" refer to the currency of Singapore, those to "Hong Kong dollar" and "HK$" refer to the currency of the Hong Kong Special Administrative Region of the People's Republic of China, those to "Tenge" refer to the currency of the Republic of Kazakhstan, those to "Sterling" and "£" refer to the currency of the United Kingdom and those to "€", "EUR", "Euro" and "euro" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the functioning of the European Union, as amended.

For convenience only, certain Won amounts in this Offering Circular have been translated into U.S. dollars. The table below sets out, for the periods and dates indicated, information concerning the base rate under the market average exchange rate system, announced by the Seoul Money Brokerage Services, Ltd., between U.S. dollars and Won rounded to the nearest tenth of one Won (the "**Market Average Exchange Rate**"). Unless indicated otherwise, the translations of Won into U.S. dollars in this Offering Circular have been made at the rate of ₩1,470.0 to US$1.00, which was the Market Average Exchange Rate as of 31 December 2024. No representation is made that the Won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Won, as the case may be, at any particular rate, or at all.

Year ended 31 December	**Low**	**High**	**Average[1]**	**Period-end**
			(Won per U.S.$1.00)	
2020	1.082.7	1,280.1	1,180.1	1,088.0
2021	1,083.1	1,199.1	1,144.4	1,185.5
2022	1,185.5	1,436.6	1,292.0	1,267.3
2023	1,219.3	1,360.6	1,305.4	1,289.4
2024	1,289.4	1,474.1	1,364.0	1,470.0
2025 (through 14 July)	1,352.6	1,482.9	1,423.0	1,374.7
January	1,433.3	1,471.3	1,455.8	1,433.3
February	1,429.2	1,469.2	1,445.6	1,439.6
March	1,441.6	1,469.6	1,457.0	1,466.5
April	1,418.9	1,482.9	1,444.3	1,438.5
May	1,365.0	1,426.9	1,394.5	1,381.4
June	1,356.4	1,381.9	1,367.0	1,356.4
July (through 14 July)	1,352.6	1,374.7	1,364.4	1,374.7

Source: Seoul Money Brokerage Services, Ltd.

Note:

(1) Represents the average of the daily Market Average Exchange Rate over the relevant period.

Forward-Looking Statements

The Issuer has included statements in this Offering Circular which contain words and phrases such as "aim", "anticipate", "assume", "believe", "contemplate", "continue", "estimate", "expect", "future", "goal", "intend", "may", "objective", "plan", "predict", "positioned", "project", "risk", "seek to", "shall", "should", "will likely result", "will pursue", "plan" and words and terms of similar substance used in connection with any discussion of future operating or financial performance or the Issuer's expectations, plans, projections or business prospects identify forward-looking statements. In particular, the statements under the headings "*Risk Factors*" and "*Korea Housing Finance Corporation*" regarding the Issuer's financial condition and other future events or prospects are forward-looking statements. All forward-looking statements are the Issuer's present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements.

In addition to the risks related to the Issuer's business discussed under "*Risk Factors*", other factors could cause actual results to differ materially from those described in the forward-looking statements. These factors include, but are not limited to:

- the Issuer's ability to successfully implement its strategy;

- future levels of non-performing loans;
- the Issuer's growth and expansion;
- the adequacy of allowance for credit and investment losses;
- technological changes;
- interest rates;
- investment income;
- availability of funding and liquidity;
- cash flow projections;
- the Issuer's exposure to market risks; and
- adverse market and regulatory conditions.

By their nature, certain disclosures relating to these and other risks are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on the Issuer's income or results of operations could materially differ from those that have been estimated. For example, revenues could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realised.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this Offering Circular could include, but are not limited to:

- general economic and political conditions in Korea or other countries that have an impact on the Issuer's business activities or investments;
- the monetary and interest rate policies of Korea;
- inflation or deflation;
- unanticipated volatility in interest rates;
- foreign exchange rates;
- prices and yields of equity and debt securities;
- the performance of the financial markets in Korea and globally;
- changes in domestic and foreign laws, regulations and taxes;

- changes in competition and the pricing environments in Korea; and
- regional or general changes in asset valuations.

Investors should not place undue reliance on the forward-looking statements, which speak only as of the date of this Offering Circular. Except as required by law, the Issuer is not under any obligation, and expressly disclaims any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

All subsequent forward-looking statements attributable to the Issuer or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this Offering Circular.

Offering Circular Supplement

The Issuer will, in connection with the listing and quotation of the Covered Bonds on the SGX-ST, so long as the rules of the SGX-ST so require, in the event of any material change which is not reflected in this Offering Circular, prepare a further supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of the Covered Bonds to be listed on the SGX-ST.

The Issuer has given an undertaking to the Arranger that if at any time during the duration of the Programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Offering Circular which is capable of affecting the assessment of any Covered Bonds and whose inclusion in or removal from this Offering Circular is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, and the rights attaching to the Covered Bonds, the Issuer shall prepare a supplement to this Offering Circular or publish a replacement Offering Circular for use in connection with any subsequent offering of the Covered Bonds and shall supply to the Arranger and each Dealer and the Bond Trustee such number of copies of such supplement hereto as the Arranger, such Dealer and the Bond Trustee may reasonably request.

Available Information

To permit compliance with Rule 144A in connection with any resales or other transfers of Covered Bonds that are "restricted securities" within the meaning of the Securities Act, the Issuer has undertaken in the Bond Trust Deed to furnish, upon the request of a holder of such Covered Bonds or any beneficial interest therein, to such holder or to a prospective purchaser designated by him, the information required to be delivered under Rule 144A(d)(4) under the Securities Act if, at the time of the request, the Issuer is neither a reporting company under Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

Benchmarks Regulation

Amounts payable under the Covered Bonds may be calculated by reference to the Euro Interbank Offered Rate ("**EURIBOR**") which is provided by the European Money Markets Institute ("**EMMI**")

or any other benchmark, in each case as specified in the applicable final terms. As at the date of this Offering Circular, the administrator of EURIBOR, EMMI, is included on the register of administrators and benchmarks (the "**ESMA Benchmarks Register**") established and maintained by the ESMA pursuant to Article 36 of Regulation (EU) No. 2016/1011 (as amended, the "**Benchmarks Regulation**").

Covered Bonds issued as Green Bonds, Social Bonds or Sustainability Bonds

The pricing supplement relating to a specific tranche of Covered Bonds may provide that it is the Issuer's intention to apply an amount equal to the net proceeds of those Covered Bonds for projects which finance and/or refinance specified green, social or sustainability projects in accordance with certain prescribed eligibility criteria set out in the Issuer's Sustainable Financing Framework ("**Eligible Projects**"). A prospective investor should have regard to the information set out in the section "Use of Proceeds" and determine for itself the relevance of such information for the purpose of an investment in such Covered Bonds together with any other investigation it deems necessary.

No assurance is given by the Issuer or any Dealer that such use of proceeds will satisfy any present or future investment criteria or guidelines with which an investor is required, or intends, to comply, in particular with regard to any direct or indirect environmental or sustainability impact of any project or uses, the subject of or related to, the Issuer's Sustainable Financing Framework. In addition, while it is the intention of the Issuer to apply an amount equal to the net proceeds of any Covered Bonds issued as Green Bonds, Social Bonds or Sustainability Bonds for Eligible Projects, there is no contractual obligation to do so. There can be no assurance that any such Eligible Projects will be available or capable of being implemented in the manner anticipated and, accordingly, that the Issuer will be able to use the proceeds for such Eligible Projects as intended.

No assurance can be given that Eligible Projects will meet investor expectations or requirements regarding such "green", "sustainable", "social" or similar labels (including Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the "**EU Taxonomy**") or Regulation (EU) 2020/852 as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018). Each prospective investor should have regard to the factors described in the Issuer's Sustainable Financing Framework and the relevant information contained in this Offering Circular and seek advice from their independent financial adviser or other professional adviser regarding its purchase of the Covered Bonds before deciding to invest.

DNV Business Assurance Korea Ltd. has issued an independent opinion, dated 4 October 2023, on the Issuer's Sustainable Financing Framework (as amended, the "**Second Party Opinion**"). The Second Party Opinion provides an opinion on certain environmental and related considerations is a statement of opinion, not a statement of fact. No representation or assurance is given as to the suitability or reliability of any opinion or certification of any third party made available in connection with an issue of Covered Bonds issued as Green Bonds, Social Bonds or Sustainability Bonds. The Second Party Opinion and any other such opinion or certification is not intended to address any credit, market or other aspects of any investment in any Covered Bond, including without limitation market price, marketability, investor preference or suitability of any security or any other factors that may affect the value of the Covered Bonds. Any such opinion or certification is not a recommendation to buy, sell or hold any such Covered Bonds and is current only as of the date it was issued. As at the date of this Offering Circular, the providers of such opinions and certifications are not subject to any specific

regulatory or other regime or oversight. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein. The Second Party Opinion and any other such opinion or certification does not form part of, nor is incorporated by reference, in this Offering Circular.

In the event that any such Covered Bonds are listed or admitted to trading on a dedicated "green", "sustainable", "social" or other equivalently-labelled segment of a stock exchange or securities market, no representation or assurance is given that such listing or admission satisfies any present or future investment criteria or guidelines with which such investor is required, or intends, to comply. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. No representation or assurance is given or made by that any such listing or admission to trading will be obtained in respect of any such Covered Bonds or that any such listing or admission to trading will be maintained during the life of the Covered Bonds.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of certain offerings of the Covered Bonds (as defined in this Offering Circular) pursuant to this Programme (as defined in this Offering Circular), each such offering, a "**CMI Offering**", including certain Dealers, may be "capital market intermediaries" ("**CMIs**") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**SFC Code**"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" ("**OCs**") for a CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an association (an "**Association**") with the Issuer, the CMI or the relevant group company. Prospective investors associated with the Issuer or any CMI (including its group companies) should specifically disclose this when placing an order for the relevant Covered Bonds and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to the relevant CMI Offering, such order is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any relevant Dealer, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the relevant Dealer or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and

subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any relevant Dealer, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Dealer when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to the relevant CMI Offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to the relevant CMI Offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the relevant Dealer and/or any other third parties as may be required by the SFC Code, including to the Issuer, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. Failure to provide such information may result in that order being rejected.

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OVERVIEW OF THE PROGRAMME

The following description does not purport to be complete and is qualified in its entirety by the remainder of this Offering Circular. Words and expressions defined in the "Terms and Conditions of the Covered Bonds" below or elsewhere in this Offering Circular have the same meanings in this overview.

Issuer	Korea Housing Finance Corporation (the "**Issuer**") is wholly owned, directly and indirectly, by the Government of Korea and was established pursuant to the Korea Housing Finance Corporation Act No. 7030, 31 December 2003 (the "**KHFC Act**"). KHFC is, as stated above, rated "AA" by S&P and "Aa2" by Moody's. For further information about the Issuer, see "*Korea Housing Finance Corporation*".
Description	U.S.$15,000,000,000 Global Covered Bond Programme.
Arranger	BNP PARIBAS.
Dealers	BNP PARIBAS, Citigroup Global Markets Inc., Crédit Agricole Corporate and Investment Bank, DBS Bank Ltd., Deutsche Bank AG, London Branch, The Hongkong and Shanghai Banking Corporation Limited, ING Bank N.V., Landesbank Baden-Württemberg, Merrill Lynch International, Morgan Stanley & Co. International plc, Natixis, Nomura Singapore Limited, Société Générale, Standard Chartered Bank, UBS AG London Branch and others as appointed by the Issuer for a specific issue of Covered Bonds.
Bond Trustee	Citicorp International Limited.
Issuing and Paying Agent, Calculation Agent and Transfer Agent	Citibank, N.A., London Branch.
Registrar	Citicorp International Limited.
CMU Lodging and Paying Agent	Citicorp International Limited.
Asset Monitor	Nexia Samduk.
The Swap Delegate	KHFC will be appointed as the swap delegate by the Bond Trustee for the benefit of the Bond Trustee and the Covered Bondholders pursuant to the terms of the Programme Deed, to enter into (among other things) the Novation Agreements and the Novated Swap Agreements.

	For further information about the role of the Swap Delegate and the terms of the Programme Deed, see "*Summary of the Principal Documents—The Programme Deed*".
Swap Providers	As appointed under a Swap Agreement by the Issuer for a specific Series of Covered Bonds. Upon the delivery of an Issuer Default Notice, the rights and obligations of the Issuer under the Swap Agreements will be automatically transferred by novation to the Swap Delegate as a result of the Novation Agreements and the Novated Swap Agreements becoming effective.
Collection Account Bank and Reserve Account Bank (in respect of the Reserve Cash Account)	KEB Hana, following the occurrence of certain events, including an Issuer Event of Default, the Account Bank will, subject to the fulfilment of certain conditions, be replaced by a substitute account bank, being an appropriately rated bank on substantially the same terms as the Account Bank.
Collateral Account Custodian Bank (in respect of the Collateral Accounts)	Citibank, N.A., Hong Kong Branch.
Designated FX Account Bank	KEB Hana Bank.
Participating Banks	The Participating Banks will be: (a) Standard Chartered Bank Korea Limited; (b) Shinhan Bank; (c) Woori Bank; (d) KB Kookmin Bank; (e) KEB Hana Bank; and (f) Industrial Bank of Korea. Each of the Participating Banks is engaged in the business of, among other things, originating residential mortgage loans secured upon residential real estate assets located in Korea. The Issuer has purchased and will, from time to time, purchase such residential mortgage loans from some or all of the Participating Banks pursuant to the terms of the relevant loan purchase agreement (the "**Loan Purchase Agreements**") between the Issuer and each Participating Bank.

	Mortgage Loans satisfying the Eligibility Criteria originated by any one of the Participating Banks may be included in the Cover Pool.
The Back-Up Servicer	As at the Programme Date, no Back-Up Servicer will be appointed in respect of the Mortgage Loans. The Programme Deed provides that a Back-Up Servicer with experience in the provision of similar services as those provided by the Issuer and holding all appropriate licences and authorisations, will be appointed (i) by the Issuer (or by the Asset Monitor, if the Issuer is unable to appoint within 90 days) pursuant to the Programme Deed as soon as possible from the occurrence of a Back-Up Servicer Trigger Event caused by a ratings downgrade of the Issuer or (ii) by the Asset Monitor in accordance with the terms of the Programme Deed as soon as possible from the occurrence of a Back-Up Servicer Trigger Event caused by an Issuer Event of Default. The Issuer and the Back-Up Servicer will enter into a back-up servicing agreement substantially in the form scheduled to the Programme Deed (the "**Back-Up Servicing Agreement**"). A "**Back-Up Servicer Trigger Event**" shall occur if (a) the long-term senior unsecured foreign currency rating of the Issuer is withdrawn by S&P or Moody's or falls below "B" by S&P or "B2" by Moody's or (b) an Issuer Event of Default has occurred. For further information about the role of the Back-Up Servicer and the terms of the Back-Up Servicing Agreement, see "*Summary of the Principal Documents—The Back-Up Servicing Agreement*".
Programme Size	The aggregate principal amount of Covered Bonds outstanding at any time will not exceed U.S.$15,000,000,000 (or its equivalent in another currency calculated as described herein). The Programme size may be increased from time to time without the consent of the holders of Covered Bonds, to the extent the aggregate principal amount of all mortgage-backed bonds issued by KHFC does not exceed 50 times the equity capital of KHFC in accordance with the KHFC Act.
Currencies	Any currency agreed between the Issuer, the Arranger and the relevant Dealer(s), subject to any applicable legal or regulatory restrictions (a "**Specified Currency**").

Status	The Covered Bonds constitute direct, unconditional and unsubordinated obligations of the Issuer and shall at all times rank *pari passu* with all other obligations of the Issuer that have been given prioritised claim over the Cover Pool pursuant to the KHFC Act and given the same priority as the Covered Bonds pursuant to the Programme Deed. To the extent that claims of the Covered Bondholders are not met out of the Cover Pool in accordance with the KHFC Act and the Programme Deed, the residual claims will at all times rank *pari passu* at least equally with all other unsecured and unsubordinated obligations of the Issuer.
Maturities	Such maturities as may be agreed between the Issuer, the Arranger and the relevant Dealer(s), subject to such minimum or maximum maturity as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price	The Covered Bonds may be issued at par, or at a discount to, or at a premium over, par as specified in the relevant Pricing Supplement. The price and amount of the Covered Bonds to be issued will be determined by the Issuer, the Arranger and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.
Form of Covered Bonds	The Covered Bonds may be issued in bearer (the "**Bearer Covered Bonds**") or registered form (the "**Registered Covered Bonds**"). Registered Covered Bonds will not be exchangeable for Bearer Covered Bonds and vice versa. Unless otherwise specified in the applicable Pricing Supplement, the Covered Bonds offered in the United States to QIB/QPs in reliance on Rule 144A will be represented by one or more Rule 144A Global Certificates and the Covered Bonds offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Certificates (if in registered form) or Global Covered Bonds (if in bearer form). Copies of the Rule 144A Global Certificates, Regulation S Global Certificates and Global Covered Bonds will be available for inspection at the specified office of the Issuing and Paying Agent. Rule 144A Global Certificates and Regulation S Global Certificates representing the Covered Bonds will either (i) be held by or on behalf of Euroclear, Clearstream, Luxembourg,

	the CMU and/or DTC for the benefit of participants in Euroclear, Clearstream, Luxembourg, the CMU and/or DTC, as the case may be, or (ii) in the case of Covered Bonds cleared through Euroclear and Clearstream, Luxembourg, be registered in the name of a nominee for, and deposited with, the Common Depositary. In the case of Covered Bonds represented by Global Covered Bonds which are cleared through Euroclear and Clearstream, Luxembourg, the relevant Global Covered Bonds representing such Covered Bonds will be deposited with the Common Depositary, each as specified in the relevant Pricing Supplement.
Denomination of Covered Bonds	The Covered Bonds will be issued in such denominations as may be specified in the relevant Pricing Supplement, subject to: (i) a minimum denomination of U.S.$200,000 (or, in the case of Covered Bonds not denominated in U.S. dollars, the equivalent thereof in such foreign currency, rounded down to the nearest 1,000 units of such foreign currency, but so that in no event will the minimum denomination be lower than €100,000 or its equivalent at the date of issue of the relevant Covered Bonds) and integral multiples of U.S.$1,000 (or, in the case of Covered Bonds not denominated in U.S. dollars, 1,000 units of such foreign currency) in excess thereof; and (ii) compliance with all applicable legal and/or regulatory and/or central bank requirements.
Interest	The Covered Bonds may be issued as fixed rate, floating rate or zero coupon, as provided in the relevant Pricing Supplement.
Yield to Maturity Date (Fixed Rate Covered Bonds only)	The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.
Interest Payments	Interest may be paid monthly, quarterly, semi-annually, annually or at such other intervals as are described in the applicable Pricing Supplement.
Redemption	The applicable Pricing Supplement will indicate the scheduled maturity date of the Covered Bonds (the "**Maturity Date**"). The Covered Bonds are redeemable at par. The Covered Bonds may, or in certain cases must, be redeemed by the Issuer prior to the Maturity Date. Early redemptions of the Covered Bonds will be made without premium or penalty.

	For further information about the early redemption of the Covered Bonds, see "*Terms and Conditions of the Covered Bonds—Condition 6 (Redemption, Purchase and Exchange)*". Early redemption at the option of the Issuer will be permitted only to the extent specified in the relevant Pricing Supplement. Covered Bonds denominated in Sterling may not be redeemed prior to one year and one day from the date of issue unless the redemption value of each such Covered Bond is not less than £100,000.
Extended Maturity Date	The applicable Pricing Supplement may provide that an Extended Maturity Date will apply to the relevant Series of Covered Bonds. As regards to redemption of Covered Bonds to which an Extended Maturity Date so applies, if the Issuer fails to redeem all of the relevant Series of Covered Bonds in full on the Maturity Date or within 10 days thereafter, the maturity of the Covered Bonds and the date on which such Covered Bonds will be due and payable for the purposes of the Conditions will be automatically extended up to but no later than the Extended Maturity Date, subject as otherwise provided for in the applicable Pricing Supplement. The Issuer (or, if an Issuer Default Notice has been served on the Issuer, the Asset Monitor on behalf of the Issuer) shall give notice to the holders of Covered Bonds and to the Bond Trustee, the Paying Agents and the Rating Agencies in writing at least five Business Days prior to the Maturity Date of the Series of Covered Bonds confirming whether or not it intends to redeem all or any of the Principal Amount Outstanding in respect of such Series of Covered Bonds on the Maturity Date or within 10 days thereafter. In that event, the Issuer may redeem all or any part of the Principal Amount Outstanding of the Covered Bonds on any Interest Payment Date falling after the Maturity Date up to and including the Extended Maturity Date or as otherwise provided for in the applicable Pricing Supplement. In the event of the extension of the maturity as described above, the Covered Bonds will bear interest on the Principal Amount Outstanding of the Covered Bonds from (and including) the Maturity Date to (but excluding) the earlier of the Interest Payment Date after the Maturity Date on which the Covered Bonds are redeemed in full or the Extended Maturity Date and will be payable in respect of the interest period ending

	immediately prior to the relevant Interest Payment Date in arrear or as otherwise provided for in the applicable Pricing Supplement on each Interest Payment Date after the Maturity Date at the rate provided for in the applicable Pricing Supplement. The final Interest Payment Date shall fall no later than the Extended Maturity Date. In the case of a Series of Covered Bonds to which an Extended Maturity Date applies, those Covered Bonds may be issued as fixed rate or floating rate in respect of the period from (and including) the Issue Date to (but excluding) the Maturity Date; and will be issued as floating rate in respect of the period from (and including) the Maturity Date to (but excluding) the Extended Maturity Date as set out in the applicable Pricing Supplement.
Taxation	All payments in respect of the Covered Bonds will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. If such withholdings or deductions are required by law, the Issuer will in certain circumstances pay certain additional amounts as described in, and subject to exceptions set out in, Condition 7 (*Taxation*).
Further Issues	Subject as provided in Condition 11 (*Further Issues*) and the Transaction Documents, the Issuer may from time to time, without the consent of the Covered Bondholders of Covered Bonds of any Series, create and issue further securities having the same terms and conditions as any Series of Covered Bonds in all respects (or in all respects except for the amount of the first payment of interest, if any, on them), which will be consolidated and form a single Series with the outstanding Covered Bonds of such Series.
Issuer Events of Default	As set out in Condition 9.1 (*Issuer Events of Default*).
Covered Bond Events of Default	As set out in Condition 9.2 (*Covered Bond Events of Default*).
Cross Default and Other Events of Default	Unless otherwise provided in Condition 9.1 (*Issuer Events of Default*) and/or Condition 9.2 (*Covered Bond Events of Default*), none of the Covered Bonds will accelerate on an Issuer Event of Default, nor will they accelerate automatically on a Covered Bond Event of Default.

	If an Issuer Event of Default occurs, then the Issuer shall not issue any further Covered Bonds and the Asset Monitor may, among other things, dispose of Mortgage Loans that are Cover Pool Assets in order to enable the Issuer to meet its payment obligations in relation to the Covered Bonds that are issued and remain outstanding. All Covered Bonds issued under the Programme will immediately become due and payable at the Early Redemption Amount if (i) a Covered Bond Event of Default occurs and is continuing and the Bond Trustee has at its discretion, or as requested by the Covered Bondholders (as the case may be), given a Covered Bond Acceleration Notice to the Issuer and the Asset Monitor or (ii) the Bond Trustee, if requested in writing by the holders of not less than 67% of the Principal Amount Outstanding of the Covered Bonds of the relevant Series and the Covered Bonds of all other Series then outstanding as if they were all a single Series, shall give notice in writing to the Issuer and the Asset Monitor directing an acceleration of the Covered Bonds. Acceleration by the Bond Trustee as described in (i) to (ii) above is subject in each case to the Bond Trustee being indemnified and/or secured and/or pre-funded to its satisfaction.
Negative Pledge	None.
Listing and Admission to Trading	Approval in-principle has been received from the SGX-ST in connection with the Programme and application will be made for the listing and quotation of Covered Bonds that may be issued pursuant to the Programme and which are agreed, at or prior to the time of issue thereof, to be so listed and quoted on the SGX-ST. Such permission will be granted when such Covered Bonds have been admitted for listing and quotation on the SGX-ST. There is no assurance that any application to the Official List of the SGX-ST will be approved. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle, admission to the Official List of, and listing and quotation of any of the Covered Bonds on the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Programme or the Covered Bonds.

	The Covered Bonds may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. For so long as any Covered Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, such Covered Bonds, if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000 (or its equivalent in foreign currencies). Covered Bonds may also be issued under the Programme on an unlisted basis or be admitted to listing, trading and/or quotation by other stock exchanges, listing authorities and/or quotation by other stock exchanges, listing authorities and/or quotation systems, and the Pricing Supplement applicable to a Series will specify whether or not the Covered Bonds of such Series will be admitted for listing and quotation on the SGX-ST or admitted to listing, trading and/or quotation by any other stock exchange, listing authority and/or quotation system.
Use of Proceeds	The Issuer expects to use the net proceeds from each issue of Covered Bonds for its general corporate purposes or as otherwise described by the Issuer at the time of offering. See "*Use of Proceeds*".
Cover Pool Assets	The assets included in the Cover Pool (the "**Cover Pool Assets**") are the Mortgage Loans, cash collections derived directly or indirectly from the Mortgage Loans and any investments made with cash collections generated from the Mortgage Loans and which are required to satisfy certain eligibility criteria (the "**Eligible Investments**") as further described below.
The Mortgage Loans	The Mortgage Loans will be purchased by the Issuer from the Participating Banks from time to time, in each case pursuant to the related Loan Purchase Agreements. Each Mortgage Loan is secured by a residential property located in Korea. See "*—Participating Banks*". The Cover Pool is dynamic and the Issuer may, prior to the occurrence of an Issuer Event of Default, add or remove Mortgage Loans from the Cover Pool from time to time subject to certain conditions. The inclusion of a Mortgage Loan in the Cover Pool will be subject to the satisfaction of the Eligibility Criteria and the Representations and Warranties will be given at the time such Mortgage Loan is so included.

Representations and Warranties	The Issuer will make the Representations and Warranties set out in the Programme Deed as at the Programme Date and on each other Addition Date with respect to the Mortgage Loans to be included in the Cover Pool, though, with respect to certain of the Representations and Warranties as described further below, these will relate to the facts and circumstances existing at the related Cut-off Date. Mortgage Loans in the Cover Pool that are in breach of these Representations and Warranties will not be counted for purposes of calculating compliance with the Asset Coverage Test or the Amortisation Test. For further information about the Representations and Warranties, see "*Certain Information Regarding The Cover Pool*".
Eligibility Criteria	In order for any Mortgage Loans to be included in the Cover Pool, the following Eligibility Criteria must be satisfied on the applicable Addition Date: (a) no Issuer Event of Default or Covered Bond Event of Default shall have occurred which is continuing; (b) the Issuer is not aware, and could not reasonably be expected to be aware, that the inclusion of the Mortgage Loans in the Cover Pool would adversely affect the current ratings of the Covered Bonds then issued and outstanding by S&P and Moody's; and (c) the Issuer has made the Representations and Warranties on the applicable Addition Date with respect to the relevant Mortgage Loans.
Asset Coverage Test	The Issuer will perform the Asset Coverage Test on each Calculation Date until the earlier to occur of (i) the service of an Issuer Default Notice and (ii) the Calculation Date from which the Amortisation Test is required to be satisfied. The Asset Coverage Test will be satisfied if, on each Calculation Date, the Adjusted Aggregate Loan Amount of the Cover Pool Assets as at such Calculation Date is at least equal to the Won Equivalent of the aggregate outstanding principal balance (the "**Principal Amount Outstanding**") of all the Covered Bonds as calculated as of the Calculation Date.

	If on any Calculation Date, the Asset Coverage Test is breached, the Issuer shall immediately notify the Rating Agencies, the Asset Monitor and the Bond Trustee in writing. The Issuer will not be able to issue any further Covered Bonds and no Daily Cash Release will be permitted until such breach has been remedied. A failure to bring the Cover Pool into compliance with the Asset Coverage Test on the second occurring Calculation Date will result in the occurrence of an Issuer Event of Default. For further information about the Asset Coverage Test, see "*Summary of the Principal Documents—The Programme Deed*".
Amortisation Test	The Asset Monitor will perform the Amortisation Test on each Calculation Date following the occurrence of an Issuer Event of Default. The Amortisation Test will be satisfied if, on each Calculation Date, the Amortisation Test Adjusted Aggregate Loan Amount of the Cover Pool Assets as at such Calculation Date is at least equal to the Won Equivalent of the Principal Amount Outstanding of all the Covered Bonds as calculated as of the Calculation Date immediately preceding that Calculation Date. If, on any Calculation Date, the Amortisation Test is breached and the Issuer fails to bring the Cover Pool into compliance with the Amortisation Test within 30 days of such breach, a Covered Bond Event of Default will occur. For further information about the Amortisation Test, see "*Summary of the Principal Documents—The Programme Deed*".
Cover Pool Audits and FSC Audits	Nexia Samduk will test the Mortgage Loans in the Cover Pool annually for compliance with the principal Representations and Warranties pursuant to the terms of an agreed upon procedures letter (the "**Cover Pool Audit**"). In addition, on or prior to each Addition Date when Mortgage Loans are added to the Cover Pool, the Issuer will cause an audit to be undertaken which complies with the requirements imposed by the Financial Services Commission of Korea (the "**FSC**") (an "**FSC Audit**").

For further information on Cover Pool Audits and FSC Audits, see "*Summary of the Principal Documents—The Programme Deed*".

The Servicing Arrangements

KHFC is responsible, prior to the occurrence of an Issuer Event of Default, for the servicing of the Mortgage Loans in accordance with its customary policies and procedures, and the requirements of the Programme Deed. KHFC may delegate the performance of most of the servicing functions to the Participating Banks which originated the relevant Mortgage Loans or to other third parties and it may service some Mortgage Loans directly itself.

Each Participating Bank may service the Mortgage Loans sold by it to KHFC, in each case pursuant to an approved servicing agreement (each, an "**Approved Servicing Agreement**") between KHFC and each such Participating Bank. In some cases, as described above, KHFC may service the Mortgage Loans directly. The servicing of the Mortgage Loans will include taking enforcement action against the borrowers thereof (the "**Borrowers**") in the event that an event of default occurs under the terms of the relevant Mortgage Loans.

In addition, the Issuer will have responsibility for collecting and reporting information regarding the performance of the Mortgage Loans on a periodic basis, which will not be delegated to the Participating Banks.

Following an Issuer Event of Default, the Back-Up Servicer (once appointed) will assume responsibility for servicing, or procuring the servicing of, the Mortgage Loans in accordance with the provisions of the Back-Up Servicing Agreement. The Back-Up Servicer may also delegate the performance of its obligations to the Participating Banks which originated the relevant Mortgage Loans or to another third party. Prior to the appointment of any Back-Up Servicer, the Issuer will continue to act as servicer under the Transaction Documents until a Back-Up Servicer has been appointed.

For further information about the role of the Participating Banks, see "*Summary of the Principal Documents—The Programme Deed*" and for further information about the role of the Back-Up Servicer, see "*Summary of the Principal Documents—The Back-Up Servicing Agreement*".

Governing Law	The Covered Bonds will be governed by, and construed in accordance with, English law, except that Condition 3 (*Status of the Covered Bonds*) will be governed by, and construed in accordance with, Korean law. The Bank Account Mandate and the Designated FX Account Mandate will be governed by, and construed in accordance with, Korean law. All other Transaction Documents will be governed by, and construed in accordance with, English law.
Selling Restrictions	The Covered Bonds have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold, directly or indirectly within the United States or to or for the benefit of U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. In addition, there are certain restrictions on the offer, sale and transfer of the Covered Bonds in the European Economic Area and the United Kingdom, and such other restrictions as may be required in connection with the offer and sale of a particular Series of Covered Bonds. See "*Subscription and Sale and Transfer and Selling Restrictions*". Bearer Covered Bonds will be issued in compliance with U.S. Treas. Reg. § 1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of section 4701 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**")) ("**TEFRA D**") unless (i) the applicable Pricing Supplement states that the Bearer Covered Bonds are issued in compliance with U.S. Treas. Reg. § 1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that are applicable for purposes of section 4701 of the Code) ("**TEFRA C**") or (ii) other than in compliance with TEFRA D or TEFRA C but in circumstances in which the Bearer Covered Bonds will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the applicable Pricing Supplement as a transaction to which TEFRA is not applicable.
ERISA Considerations	Except as otherwise set forth in the relevant Pricing Supplement, the Covered Bonds may generally be acquired by an "employee benefit plan" (as defined in Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**")) subject to Title I of ERISA, a "plan" as

	defined in and that is subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), any entity or account whose underlying assets include, or are deemed for purposes of ERISA or the Code to include, "plan assets" by reason of such employee benefit plan or plans' investment in the entity or account, or a governmental or other employee benefit plan which is subject to any U.S. federal, state or local law, or non-U.S. law, that is substantially similar to Section 406 of ERISA or Section 4975 of the Code ("**Similar Law**"), provided that such purchase and holding of the Covered Bonds will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, a violation of any such Similar Law). Each purchaser and/or holder of the Covered Bonds and each transferee thereof will be deemed to have made certain representations regarding these matters. Potential purchasers should read the sections entitled "*Subscription and Sale and Transfer and Selling Restrictions*" and "*United States ERISA Considerations*".
Ratings	As of the date of this Offering Circular, the Covered Bonds issued under the Programme are expected to be assigned an "AAA" rating by S&P and an "Aaa" rating by Moody's. The Issuer may also obtain a rating of the Covered Bonds issued under the Programme from one or more other credit rating agencies. Details of the ratings and whether or not the Covered Bonds of any certain Series are rated specifically will be specified in the applicable Pricing Supplement. The Issuer cannot assure investors that any such ratings will not change in the future. A rating reflects only the views of the relevant rating agency and is not a recommendation to buy, sell or hold the Covered Bonds and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. A rating of a certain Series of Covered Bonds to be issued under the Programme, if obtained, will be specified in the applicable Pricing Supplement. The Issuer has no obligation to maintain a particular rating of the Covered Bonds.
Terms and Conditions	The terms and conditions applicable to each Series will be as agreed between the Issuer, the Arranger and the relevant Dealer(s) at or prior to the time of issuance of such Series and

	will be specified in the relevant Pricing Supplement. The terms and conditions applicable to each Series will therefore be those set out in this Offering Circular, as supplemented, modified or replaced by the relevant Pricing Supplement in relation to each Series.
Risk Factors	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Covered Bonds. These are set out under the heading "*Risk Factors*". Investors should carefully consider these risk factors and all of the information in this Offering Circular before deciding to buy Covered Bonds.

RISK FACTORS

Risks Relating to the Issuer

The nature of the Issuer

The Issuer is a Government-controlled financial enterprise, engaged in the business of, among other things, acquiring and securitising mortgage loans. As such, the Issuer has numerous financial counterparties who owe obligations to it and to whom it owes obligations. The Issuer may, from time to time, have disputes with these counterparties, as would be the case for any other commercial enterprise, and as such faces the possibility of loss, liability or disruption of its operations, all of which could have a bearing on its ability to pay interest on or repay the principal of the Covered Bonds. The Issuer is not a special purpose vehicle which has been established and structured for the purpose of the issuance of the Covered Bonds, and so there can be no assurance that these losses, liabilities and disputes will be limited as they would typically be in the context of a special purpose vehicle.

The economic conditions in Korea

The commercial operations of the Issuer are undertaken almost exclusively in Korea, though the Issuer does raise some of its funding outside Korea. As such, these commercial operations are influenced by the performance of the Korean economy. Particular factors that could have a bearing on the Issuer are the level of interest rates and the level of unemployment in Korea. An increase in interest rates could diminish the value of the Issuer's mortgage loans. Rising interest rates could also result in greater delinquencies and defaults by borrowers with other, floating rate, debt service obligations and it could affect the demand for mortgage loans. An increase in unemployment could also result in greater delinquencies and defaults by borrowers.

As a significant part of the Issuer's funding is raised in the Korean capital markets, any material decline in available liquidity could also have a bearing on the commercial operations of the Issuer, in particular its ability to purchase additional mortgage loans.

There can be no assurance that the economic environment in Korea will not change adversely during the term of the Covered Bonds, with a simultaneous impact on the Issuer's commercial operations, particularly since the Korean economy is highly dependent on exports of various goods and its performance depends, to a significant extent, on the economic performance of its trading partners.

Real estate market impact

The Issuer is particularly exposed to fluctuations in performance of the Korean residential real estate market.

Residential real estate prices in Korea rose significantly from 2018 to 2021 but have recently started falling in response to inflation and actions by the Government in an effort to cool the housing market in the last few years. Based on the Korean Statistical Information Service, as of the end of December 2018, house prices were up 1.1% compared to the end of 2017. As of the end of December 2019, house prices were down 0.4% compared to the end of 2018. As of the end of December 2020, house prices

were up 5.4% compared to the end of 2019. As of the end of December 2021, house prices were up 9.9% compared to the end of 2020. Due to policy rate hikes by the Bank of Korea in response to inflationary pressures, the upward trend was compromised in 2022 as house prices were down 4.7% as of the end of December 2022, compared to the end of 2021. As of the end of December 2023, house prices were down 3.5% compared to the end of 2022. As of the end of December 2024, house prices were up 0.1% compared to the end of 2023.

Declines in demand for, or falls in the price of, residential real estate in Korea could have a significant impact on the business of the Issuer, reducing both its income from collections of interest and principal payments and the value of the properties securing the Issuer's mortgage loans. In relation to the Mortgage Loans, such factors could reduce the liquidation proceeds and thereby ultimately result in fewer funds being available to the Asset Monitor to make payment of interest on and the repayment of principal of the Covered Bonds.

Changes in liquidity

In addition to its equity capital, which is contributed by its shareholders, the Issuer currently funds its commercial operations substantially through the issuance of debt instruments to investors in the Korean capital markets. Such debt instruments include both MBS and, to a lesser extent, corporate debt securities and mortgage-backed bonds in the nature of the Covered Bonds. The investors include investment funds, financial institutions, such as insurance companies and private pension providers, and other institutional investors. The amount of funding that such investors have for investment purposes fluctuates from time to time, as does their appetite for particular investments, such as the debt instruments issued by the Issuer. There can be no assurance that, in the future, the Issuer will have access to the same levels of liquidity from investors as it has in the past, which would have a bearing on its commercial operations, in particular on its ability to acquire additional Mortgage Loans for inclusion in the Cover Pool.

Future changes in market conditions as well as other factors may lead to increases in delinquency levels of the Issuer's loan portfolio

In recent years, consumer debt has increased rapidly in Korea. The average principal balance of mortgage loans held by the Issuer significantly increased from 2006 to December 2024. The Issuer's portfolio of mortgage loans increased from ₩156.0 trillion as of 31 December 2022 to ₩179.7 trillion as of 31 December 2023 and decreased to ₩175.5 trillion as of 31 December 2024. The growth of the Issuer's portfolio of mortgage loans contributed significantly to its interest income and profitability in 2006 to December 2024.

The Issuer's large exposure to mortgage loans means that it is, as described above, exposed to changes in economic conditions affecting Korean consumers. Accordingly, economic difficulties in Korea that hurt consumers could result in a deterioration in the credit quality of the Issuer's retail loan portfolio. For example, the severe impact of the global COVID-19 pandemic on the Korean economy has disrupted the business, activities and operations of consumers, which in turn could result in a significant decrease in the number of financial transactions or the inability of the Issuer's customers to meet existing payment or other obligations to the Issuer. In addition, a rise in unemployment, an increase in interest rates, a reduction in consumer income, a downturn in the real estate market, or a general contraction or other difficulties in the Korean economy that have an adverse effect on Korean

consumers could result in reduced growth and deterioration in the credit quality of the Issuer's mortgage loan portfolio. Any such adverse changes in the market conditions, as well as other factors, may lead to the credit quality of the Issuer's mortgage loan portfolio deteriorating, which may have a material adverse effect on its financial condition and results of operations, including its ability to pay interest on and repay the principal of the Covered Bonds.

The Issuer is exposed to the creditworthiness of counterparties that are financial institutions

A number of the Issuer's commercial counterparties are financial institutions. Its dealings with these financial institutions involve both funding and risk management transactions, specifically various types of derivatives transactions, which expose the Issuer to the creditworthiness of these counterparties. The extent of the resulting credit exposure depends on the structure and terms of the particular transaction. The credit exposure of derivative financial instruments, in particular, corresponds to the potential replacement costs that could arise from having to acquire an equivalent position in the event of a counterparty default. Whilst the Issuer seeks to manage these risk exposures through both its selection of counterparties and contractual protections typically provided in derivatives documentation by means of collateralisation, netting and selective termination, as well as by placing concentration limits on particular counterparty exposures, there can be no assurance that the cost of these exposures to the Issuer will not be significant, which could negatively affect the ability of the Issuer to pay interest on and repay the principal of the Covered Bonds.

The Issuer is exposed to the creditworthiness of the Account Banks

Each of the Account Banks is a financial institution. The Issuer's dealings with these financial institutions involve both funding and risk management transactions, which expose the Issuer to the creditworthiness of these counterparties. The Issuer also maintains bank accounts with the Account Banks, including, among others, the Collection Account, the Reserve Cash Account and the Designated FX Account with KEB Hana Bank (or any of its Affiliates or any successor or substitute bank). Whilst the Issuer seeks to manage these risk exposures through both its selection of counterparties and mechanism for closure of the bank account(s) maintained with the relevant Account Bank if the relevant Account Bank ceases to have the required ratings, there can be no assurance that the cost of these exposures to the Issuer will not be significant, which could negatively affect the ability of the Issuer to pay interest on and repay the principal of the Covered Bonds.

Volatility in interest rates such as a considerable increase in interest rates could raise the Issuer's funding costs while reducing loan demand, which, as a result, could adversely affect the Issuer

The Bank of Korea raised its policy rate to 0.75% from 0.50% on 26 August 2021, 1.00% on 25 November 2021, 1.25% on 14 January 2022, 1.50% on 14 April 2022, 1.75% on 26 May 2022, 2.25% on 13 July 2022, 2.50% on 25 August 2022, 3.00% on 12 October 2022, 3.25% on 24 November 2022 and 3.50% on 13 January 2023, in response to rising levels of household debt and inflationary pressures. More recently, the Bank of Korea lowered its policy rate to 3.25% in October 2024, 3.00% in November 2024 and 2.75% in February 2025 in response to weak economic conditions in Korea.

There can be no assurance that interest rates will not increase further in the future. The majority of mortgage loans that the Issuer holds pay interest at a fixed rate, either at the outset or after a certain period of time. A considerable increase in market interest rates would lead to a decline in the value of the mortgage loans in the Issuer's portfolio as well as the value of any fixed rate debt securities either issued or held by the Issuer.

Further, volatility in interest rates such as an increase in interest rates could raise the Issuer's own funding costs, while reducing demand among potential borrowers for new loans. A considerable rise in interest rates may therefore require the Issuer to rebalance its assets and liabilities in order to minimise the risk of potential mismatches and maintain the Issuer's profitability.

The Issuer may be required to raise additional capital to maintain its capital adequacy ratios, which it may not be able to do on favourable terms or at all

Pursuant to the capital adequacy requirements of the FSC, the Issuer is required to maintain a minimum core capital adequacy ratio of 6% of its risk-weighted assets. The core capital is equivalent to the common equity Tier I capital under Basel III capital adequacy requirements primarily consisting of common stock, capital surplus, retained earnings and other comprehensive income. As at each of 31 December 2023 and 2024, the Issuer's core capital adequacy ratio exceeded the minimum levels required by the FSC. However, the Issuer's capital base and capital adequacy ratio may deteriorate in the future if its results of operations or financial condition deteriorate for any reason, including as a result of deterioration in the asset quality of the mortgage loans in the portfolio, or if it is not able to deploy its funding into suitably low-risk assets. Further, it is possible that the minimum capital adequacy ratio applicable to the Issuer may be increased as a result of regulatory developments.

If the Issuer's capital adequacy ratio deteriorates or the minimum capital adequacy ratio is increased, the Issuer may need to increase its core capital in order to remain in compliance with the applicable capital adequacy requirements. The Issuer may not be able to obtain additional capital on favourable terms, or at all. The Government is the principal source of equity capital for the Issuer and it is therefore dependent on the ability and the willingness of the Government to make such capital contributions. The Issuer cannot seek equity capital from private sources.

Government Control and Support

The Issuer is, as described above, a Government-controlled entity which has been established and operates under the provisions of the KHFC Act. One of the provisions of the KHFC Act requires that the Government covers any losses that the Issuer may incur if the Issuer's reserves are insufficient to cover such losses. While this level of support from the Government provides comfort that the Issuer will be able to meet its liabilities relating to the issuance of the Covered Bonds, there can be no assurance that this level of support will not be reduced in the future. That said, the Issuer plays an important public policy function in helping to provide housing finance to low- and middle-income households in Korea and it is not aware, as of the date of this Offering Circular, of any proposals to reduce the level of support that it receives under the existing provisions of the KHFC Act.

As a Government-controlled entity with a distinct public policy mandate, there can be no assurance that the Issuer will make decisions in the same way as a privately-owned entity, and its commercial decision-making may be subject to consideration of its public policy mandate, which is to increase the availability of housing finance to low- and middle-income households in Korea. Government mandated changes to its underwriting standards, for example, could lead to deterioration in the quality of its mortgage portfolio, potentially impacting its ability to pay interest on and repay the principal of the Covered Bonds.

Other risks relating to the Issuer's business

A decline in the value of the collateral securing the Issuer's loans and its inability to realise full collateral value may adversely affect the Issuer's credit portfolio

As described above, residential real estate values in Korea have fluctuated significantly in recent years. Although the maximum loan to value ("**LTV**") of the Mortgage Loans included in the Cover Pool is 70% at the time of origination, downturns in the real estate markets in Korea from time to time have resulted in declines in the value of the collateral securing some loans to levels below their outstanding principal balance. Future declines in real estate prices would reduce the value of the collateral securing the Mortgage Loans. If collateral values decline in the future to a sufficient extent, they may not be sufficient to cover amounts owing in respect of the relevant Mortgage Loan.

Following the occurrence of an Issuer Event of Default, cash collections from, and disposal proceeds of, the Mortgage Loans in the Cover Pool are the primary source of payment on the Covered Bonds. In the event of a decline in real estate prices, losses sustained on the Mortgage Loans could result in losses being sustained on the Covered Bonds. In addition, any declines in the value of the real estate securing its mortgage loan portfolio could result in deterioration in the Issuer's asset quality and may require it to take additional loan loss provisions.

In Korea, the process of enforcing security on real estate assets generally requires a written petition to a court by the secured creditor. An application, when made, may be subject to delays and administrative requirements that may result in a decrease in the value realised with respect to the relevant secured asset. There can be no assurance that the Issuer will be able to realise the full value of the security as a result of, among other factors, delays in enforcement proceedings and defects, if any, in the perfection of its security interest, though it is a requirement that all the Mortgage Loans included in the Cover Pool have the benefit of fully perfected mortgages over real estate in Korea. The Issuer's failure to recover the expected value of the security could expose it to losses and may impact upon the payment of interest on, and the repayment of principal of, the Covered Bonds.

The Issuer is generally subject to Korean corporate governance and disclosure standards, which may differ from those in other countries

Companies in Korea, including the Issuer, are subject to Korean corporate governance standards which may differ in some respects from standards applicable in other countries, including the United States. There may also be less publicly available information about Korean companies than is regularly made available by public or non-public companies in other countries. Such differences in corporate governance standards and less public information could result in corporate governance practices or disclosures that are perceived as less informative and transparent than those in other countries.

The Issuer's consolidated financial statements prepared under Korean IFRS in accordance with Korean Government-controlled Corporation Accounting Standards in this Offering Circular may differ from those prepared under U.S. GAAP and the Issuer does not prepare interim financial information in accordance with Korean Government-controlled Corporation Accounting Standards or any financial information under U.S. GAAP

The Issuer has included consolidated financial statements prepared under Korean IFRS in accordance with Korean Government-controlled Corporation Accounting Standards in this Offering Circular. In

addition, the Issuer is not required to, and it does not, prepare interim financial information in accordance with Korean Government-controlled Corporation Accounting Standards or any financial information under U.S. GAAP. U.S. GAAP differs in certain material respects from Korean Government-controlled Corporation Accounting Standards, particularly with respect to the establishment of loan loss allowance. As a result of those differences, the Issuer's financial results under Korean Government-controlled Corporation Accounting Standards as of and for the years ended 2023 and 2024 may differ significantly from comparable figures under U.S. GAAP for these and future periods. The Issuer has made no attempt to quantify the impact of those differences.

This Offering Circular does not contain a reconciliation of the financial statements of the Issuer to U.S. GAAP, and there can be no assurance that such reconciliation would not reveal material differences between Korean Government-controlled Corporation Accounting Standards and U.S. GAAP.

Risks Relating to the Covered Bonds

The Korea Finance Housing Corporation Act is untested

Article 31 of the KHFC Act provides for a priority claim for holders of "**mortgage-backed bonds**" as defined in Article 2 of the KHFC Act against mortgage loan assets managed separately by KHFC to secure such "**mortgage-backed bonds**". The Covered Bonds are designed to satisfy the requirements of the KHFC Act in relation to mortgage-backed bonds so that Covered Bondholders will receive the benefit of this priority claim under the KHFC Act over the Mortgage Loans and other Cover Pool Assets held by KHFC to secure the Covered Bonds. Prior to the date of the Offering Circular, only a limited number of international issuances of such instruments were issued in reliance on the KHFC Act and the provisions of the KHFC Act have not, therefore, been tested in relation to the Covered Bonds or in relation to previously issued mortgage-backed bonds.

The KHFC Act also provides that the Government will cover losses that may be incurred by KHFC at the end of each year, if reserves otherwise available to KHFC are not sufficient to cover such losses. The provisions of Article 51 of the KHFC Act do not, however, constitute a direct guarantee by the Government of KHFC's obligations and the scope of the provision has not been tested in the Korean courts.

In addition, there can be no certainty that the terms of the KHFC Act will not in the future be amended by the National Assembly of Korea or whether any such amendment would have a negative effect on the interests of Covered Bondholders.

Multiple International Covered Bond Issuances

Prior to the date of the Offering Circular, KHFC has undertaken a number of international covered bond transactions and may, in the future, undertake further such transactions. It has also undertaken, and may in the future undertake, domestic covered bond transactions. Each of these transactions has, or will have, tests similar in nature to the Asset Coverage Test. In an environment causing a broad deterioration of mortgage loan values or of increasing interest rates, which leads to breaches of the asset coverage test in more than one of KHFC's covered bond transactions, KHFC may not have sufficient eligible mortgage loans to bring all of its covered bond transactions into compliance with their respective asset coverage tests and there is no contractual regulation as to which covered bond

transaction would have priority over others in terms of achieving compliance. In this situation, an issuer event of default could occur under some of KHFC's covered bond transactions but not others.

The Covered Bonds may not be a suitable investment for all investors

Each potential investor in the Covered Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Covered Bonds, the merits and risks of investing in the relevant Covered Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement to this Offering Circular;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Covered Bonds and the impact the Covered Bonds will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Covered Bonds, including Covered Bonds with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which such potential investor's financial activities are principally denominated;

- understand thoroughly the terms of the relevant Covered Bonds and be familiar with the behaviour of any relevant indices and financial markets (including, critically, the consequences of an Issuer Event of Default or Covered Bond Event of Default or delivery of an Early Acceleration Notice and the application of cashflows generated by the Cover Pool Assets thereafter); and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in Covered Bonds, which are complex financial instruments, unless it has the expertise (either alone or with the assistance of a financial adviser) to evaluate how the Covered Bonds will perform under changing conditions, the resulting effects on the value of such Covered Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Rating of the Covered Bonds

S&P and Moody's ratings address only the credit risks associated with the transaction. Other non-credit risks have not been addressed but may have a significant effect on yield to investors. S&P or Moody's may lower its rating or withdraw its rating if, in the sole judgement of S&P or Moody's (as applicable), the credit quality of the Covered Bonds has declined or is in question. If the rating assigned to the Covered Bonds is lowered or withdrawn, the market value of the Covered Bonds may be reduced. A credit rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Covered Bonds.

A credit rating is not a recommendation to buy, sell or hold securities and may be lowered or withdrawn by a rating agency at any time.

The Bond Trustee may agree to modifications to the Transaction Documents without the Covered Bondholders' consent

Pursuant to the terms of the Bond Trust Deed, the Bond Trustee may, without the consent or sanction of any of the Covered Bondholders or Couponholders, concur with any person in making any modifications to the Conditions applying to the Covered Bonds and/or any of the Transaction Documents if such modifications:

(a) in the opinion of the Bond Trustee, will not be materially prejudicial to the interests of the Covered Bondholders, provided that such power does not extend to any such modification relating to a Series Reserved Matter; or

(b) in the opinion of the Bond Trustee, are made to correct a manifest error or an error established as such to the satisfaction of the Bond Trustee or are of a formal, minor or technical nature or are made to comply with mandatory provisions of law.

The terms of the Bond Trust Deed and the Conditions provide that the Bond Trustee may take action on behalf of the Covered Bondholders in certain circumstances, but only if the Bond Trustee is secured and/or pre-funded and/or indemnified to its satisfaction. Even if the Bond Trustee is secured and/or pre-funded and/or indemnified to its satisfaction, it may not be possible for the Bond Trustee to take certain actions and accordingly, in such circumstances the Bond Trustee will be unable to take such actions, notwithstanding the provision of any security and/or pre-funding and/or indemnity to it.

Covered Bondholders are, to that extent, relying on the judgement and determination of the Bond Trustee in exercising their rights.

No assurance can be given as to the impact of any possible changes of law

The Mortgage Loans, the Mortgaged Properties and the Issuer are subject to Korean laws, in effect from time to time, and Korean law, including Korean tax law, has a bearing on the performance of the Covered Bonds. In particular, the Issuer is created and operates under the KHFC Act and the priority claim of Covered Bondholders to the assets comprising the Cover Pool is created by the KHFC Act. No assurance can be given as to the impact of any possible change to the KHFC Act, Korean law or administrative practice or tax treatment in Korea after the date of this Offering Circular, nor can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Covered Bonds.

Prior to the date of the Offering Circular, only a limited number of international issuances of Covered Bonds were made by the Issuer pursuant to the KHFC Act. Further, as indicated above, the KHFC Act has not been subject to judicial consideration in the Korean courts. Accordingly, there can be no assurance that a Korean court would not, ultimately, adopt an interpretation of the KHFC Act different from that adopted for the purpose of structuring the Covered Bonds.

Covered Bonds are not in physical form

Unless the Registered Global Covered Bonds are exchanged for Covered Bonds in definitive form ("**Definitive Covered Bonds**"), which exchange will only occur in the limited circumstances set out therein, the beneficial ownership of the Covered Bonds will be recorded in book-entry form only with Euroclear and Clearstream, the CMU and/or DTC. The fact that the Covered Bonds are not represented in physical form could, among other things:

(a) result in payment delays on the Covered Bonds because distributions on the Covered Bonds will be sent by or on behalf of the Issuer to Euroclear, Clearstream, the CMU or DTC instead of directly to Covered Bondholders;

(b) make it difficult for Covered Bondholders to grant security over the Covered Bonds as if Covered Bonds in physical form are required or necessary for such purposes; and

(c) hinder the ability of Covered Bondholders to resell the Covered Bonds because some investors may be unwilling to buy the Covered Bonds that are not in physical form.

Covered Bonds are subject to Early Redemption

The principal amount of the Covered Bonds is scheduled to be repayable only on their Maturity Date. Notwithstanding this, the Conditions allow or require the Issuer to repay the Covered Bonds prior to their scheduled maturity under certain circumstances without premium or penalty. These circumstances include:

(a) where the Issuer becomes obliged to make increased payments on the Covered Bonds because of the imposition of withholding or other tax-related reasons;

(b) where a change of control occurs in relation to the Issuer; and

(c) where certain changes occur to the KHFC Act.

There can be no assurance that the circumstances permitting or requiring such early redemption will not occur. An Early Redemption would result in Covered Bondholders receiving their principal prior to scheduled maturity.

The Issuer may issue Fixed/Floating Rate Covered Bonds

Fixed/Floating Rate Covered Bonds may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of such Covered Bonds since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Covered Bonds may be less favourable than then prevailing spreads on comparable Floating Rate Covered Bonds tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on the rest of the Covered Bonds. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on the rest of the Covered Bonds.

Meetings of Covered Bondholders and waivers

The terms of the Bond Trust Deed contain provisions for calling meetings of Covered Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities of Covered Bondholders to bind all Covered Bondholders, including Covered Bondholders who did not attend and vote at the relevant meeting and Covered Bondholders who voted in a manner contrary to the majority.

The Conditions also provide that the Bond Trustee and the Issuer may, without the consent of Covered Bondholders, agree to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Covered Bonds or determine at its discretion whether certain events of default shall not be treated as such, in the circumstances described in the conditions of the Covered Bonds. It is possible that certain Covered Bondholders may disagree with the determination of the Bond Trustee in respect of the Swap Agreements and the Novated Swap Agreements will contain those and other matters, but it will nonetheless be bound by the Bond Trustee's determination.

The Covered Bonds are subject to transfer restrictions

The Covered Bonds have not been and will not be registered under the Securities Act, the securities laws of any state of the United States or the securities laws of any other jurisdiction and are being issued and sold in reliance on exemptions from registration provided by such laws and may only be transferred in a transaction that does not make the Issuer subject to the registration requirements of the Investment Company Act. Therefore, no Covered Bond may be sold or transferred unless such sale or transfer is in compliance with the transfer restrictions described under "*Subscription and Sale and Transfer and Selling Restrictions*". In addition, subject to the conditions set forth in the Bond Trust Deed, Covered Bonds may be transferred only if the principal amount of the Covered Bonds transferred is at least EUR100,000.

For a further discussion of the transfer restrictions applicable to the Covered Bonds, see "*Subscription and Sale and Transfer and Selling Restrictions*".

Reliance on third parties

The Issuer has entered into contractual agreements with a number of third parties in relation to the issuance of the Covered Bonds, which have agreed to perform services for the Issuer. In particular, but without limitation, the Participating Banks and other third parties have been or will be appointed as Servicers of certain Mortgage Loans in the Cover Pool, and the Asset Monitor has been appointed to calculate and/or monitor compliance with the Asset Coverage Test and the Amortisation Test. Following the occurrence of a Back-Up Servicer Trigger Event, a Back-Up Servicer will be appointed pursuant to a Back-Up Servicing Agreement to perform certain servicing duties in respect of the Cover Pool following the occurrence of an Issuer Event of Default. The Asset Monitor, following the occurrence of an Issuer Event of Default, will appoint a Back-up Servicer and will apply cashflows generated by the Cover Pool Assets after the occurrence of an Issuer Event of Default, which may involve the disposal of the Mortgage Loans (through the appointment of an expert).

The Issuer is also reliant on the Swap Providers under the Swap Agreements to provide it with protection against the risk of currency mismatches arising in respect of the assets comprising the Cover Pool and the liabilities connected with the Covered Bonds, as described below. The rights and obligations of the Issuer under the Swap Agreements will be novated to KHFC in its capacity as Swap Delegate upon the delivery of an Issuer Default Notice, and KHFC in its capacity as Swap Delegate will appoint the Asset Monitor as its attorney to perform all obligations and do all acts required of the Swap Delegate under the Novated Swap Agreements and the other agreements to which the Swap Delegate is a party, including to enter into a replacement swap agreement with a replacement swap counterparty on behalf of and in the name of the Swap Delegate. As KHFC may not be able to perform its obligations or do the acts required of it in its capacity as Swap Delegate under the Novated Swap Agreements following a KHFC bankruptcy, the continuation of the protection against the risk of such currency mismatches will depend on the performance by the Asset Monitor for and on behalf of the Swap Delegate.

In the event that any of those parties fails to perform its obligations under the relevant Transaction Document to which it is a party, the realisable value of the Cover Pool or any part thereof, or pending such realisation (if the Cover Pool or any part thereof cannot be sold) the ability of the Issuer to make payments in respect of the Covered Bonds, Certificates, Coupons and Talons may be affected. For instance, if a Servicer has failed to administer the Mortgage Loans adequately, this may lead to higher incidences of non-payment or default by the Borrowers. There can be no assurance that any of such third parties will perform their respective obligations adequately or at all, though in selecting the relevant third parties KHFC has taken account of the experience of third parties in providing similar services, as well as their credit undertakings.

Pursuant to the terms of the Approved Servicing Agreements, the Issuer will be entitled to terminate the appointment of the applicable Servicer and appoint a substitute servicer in its place under certain circumstances. Pursuant to the terms of the Back-Up Servicing Agreement, the Bond Trustee will be entitled to terminate the appointment of the Back-Up Servicer and the Asset Monitor will be entitled to appoint a substitute back-up servicer in its place under certain circumstances. There can be no assurance that a substitute servicer or substitute back-up servicer with sufficient experience of administering mortgage loans secured on residential real estate in Korea can be found who would be willing and able to service the Mortgage Loans, on the terms of the applicable Approved Servicing Agreement or Back-Up Servicing Agreement. In addition, as described below, any substitute servicer or substitute back-up servicer may be required to be authorised under certain legislation. The ability of a substitute servicer or substitute back-up servicer to perform fully the required services would depend, among other things, on the information, software and records available at the time of the appointment. Any delay or inability to appoint a substitute servicer or substitute back-up servicer may affect the realisable value of the Cover Pool or any part thereof, and/or the ability of the Issuer to make payments in respect of the Covered Bonds, Certificates, Coupons and Talons.

None of the Servicers or the Back-Up Servicer (if and when appointed) have (or will have, as applicable) any obligation themselves to advance payments that the Borrowers fail to make in a timely fashion. Covered Bondholders will have no right to consent to or approve of any actions taken by a Servicer under an Approved Servicing Agreement or the Back-Up Servicer under the Back-Up Servicing Agreement.

Neither the Bond Trustee nor the Asset Monitor is obliged in any circumstances to act as a Servicer or to monitor the performance by any Servicer of its obligations.

Further, if required to open the PMT Cash Account and/or the PMT Securities Account and add Pre-Maturity Liquidity Assets to such account(s) with the intention to meet the Pre-Maturity Test Cure Requirement, the Issuer will enter into the PMT Trust Agreement with the PMT Trustee pursuant to which the Issuer entrusts certain assets to the PMT Trustee for the benefit of the Bond Trustee as beneficial interestholder of such trust, who will then hold such beneficial interest for the benefit of the Covered Bondholders. In this regard, the PMT Trustee will enter into agreements with the PMT Account Bank and/or the Securities Depositary or Euroclear (as applicable) to open and maintain the PMT Cash Account and/or the PMT Securities Account with the relevant party.

In the event that any of those parties fails to perform its obligations under the relevant agreement to which it is a party, the realisable value of the Pre-Maturity Liquidity Assets entrusted to the PMT Trustee or any part thereof, or pending such realisation (if the assets entrusted to the PMT Trustee or any part thereof cannot be disposed of), the ability of the PMT Trustee to make payments in accordance with the Programme Deed, may be affected.

Reliance on Swap Providers

To provide risk management against possible variances in the exchange rates of Won to the relevant Specified Currency, the Issuer will enter into the Swap Agreements with the Swap Providers. Upon the date, if any, on which the Bond Trustee has delivered an Issuer Default Notice to the Issuer in accordance with the Conditions, the rights and obligations of the Issuer under the cross-currency swap transactions governed by the Swap Agreements will be automatically transferred by novation to the Swap Delegate, and pursuant to the Programme Deed, the Asset Monitor will, as attorney of the Swap Delegate, perform the obligations and do the acts required of the Swap Delegate under the Novated Swap Agreements. The Swap Agreements do not cover non-Won denominated expenses incurred by the transaction, for example, the fees of the Bond Trustee.

Any amounts received by the Swap Delegate (or the Asset Monitor on its behalf) under the Novated Swap Agreements are held for the benefit of the Bond Trustee and the Covered Bondholders and will be paid into the Designated FX Account and used to pay amounts then due and payable to the Covered Bondholders. The payment obligations of the Swap Delegate under the Novated Swap Agreements are limited to the sums available to pay the Swap Providers under the applicable priority of payments in respect of the Cover Pool Assets. Following the date, if any, on which the Bond Trustee has delivered an Issuer Default Notice to the Issuer in accordance with the Conditions, if the Swap Delegate (or the Asset Monitor acting on its behalf) fails to make timely payments of amounts due under any Novated Swap Agreement, then the Swap Delegate will have defaulted under that Novated Swap Agreement. A Swap Provider is only obliged to make payments under the relevant Novated Swap Agreement to the Swap Delegate as long as the Swap Delegate (or the Asset Monitor acting on its behalf) complies with its payment obligations thereunder. If the Swap Provider defaults in its obligations to make payments of amounts in the relevant currency equal to the full amount to be paid to the Swap Delegate on the payment date under the Novated Swap Agreements, the Swap Delegate would be exposed to changes in the relevant currency exchange rates to the relevant Specified Currency. The Swap Providers are not jointly and severally liable for their respective obligations under the Novated Swap Agreements. Unless a replacement agreement is entered into with a replacement swap counterparty, following the

date, if any, on which the Bond Trustee has delivered an Issuer Default Notice to the Issuer in accordance with the Conditions, the Swap Delegate may have insufficient funds to make payments under the Covered Bonds.

If a Novated Swap Agreement is terminated as a result of an event of default (including where the Swap Provider is the defaulting party) or a termination event (including where the Swap Provider is the sole affected party), then the Swap Delegate may be obliged to make a termination payment to the relevant Swap Provider. There can be no assurance that there will be sufficient funds available under the applicable priority of payments to make a termination payment under the relevant Novated Swap Agreement, nor can there be any assurance that the Swap Delegate will be able to enter into a replacement swap agreement with a replacement swap counterparty, or if one is entered into, that the credit rating of the replacement swap counterparty will be sufficiently high to prevent a downgrade of the then-current rating of the Covered Bonds by any rating agency.

If the Swap Delegate is obliged to pay a termination payment under any Novated Swap Agreement, such termination payment will rank senior to amounts due on the Covered Bonds, except where default by, or downgrade of, the relevant Swap Provider has caused the relevant Novated Swap Agreement to terminate. The obligation to pay a termination payment may adversely affect the amount of Collections available to make payments on the Covered Bonds since the Asset Monitor as attorney on behalf of the Swap Delegate is only required to make such payment from cashflow generated by the Cover Pool.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor in the Covered Bonds should consult its own legal advisers to determine whether and to what extent (i) the Covered Bonds are investments that it may lawfully make, (ii) the Covered Bonds can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase of, or grant of security over, any Covered Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Covered Bonds under any applicable risk-based capital or similar rules.

The Covered Bonds are obligations of the Issuer only

The Covered Bonds will constitute obligations of the Issuer which have the benefit of a statutory preference under the KHFC Act on the Cover Pool. An investment in the Covered Bonds involves a reliance on the creditworthiness of the Issuer. The Covered Bonds are not guaranteed by any member of KHFC or any other person. In particular, the Covered Bonds will not represent an obligation or be the responsibility of any of the Arranger, the Dealers, the Bond Trustee, the Agents or any other party to the Transaction Documents, their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them, other than the Issuer.

In addition, an investment in the Covered Bonds involves the risk that subsequent changes in the actual or perceived creditworthiness of the Issuer may adversely affect the market value or ratings of the relevant Covered Bonds.

The Covered Bonds issued under the Programme that have different terms will rank pari passu, and an Issuer Event of Default in respect of one series will trigger an Issuer Event of Default for all Series

Save in respect of the first issue of Covered Bonds, Covered Bonds issued under the Programme will either be fungible with an existing Series of Covered Bonds or have different terms from an existing Series of Covered Bonds (in which case they will constitute a new Series). The Issuer may also issue unlisted Covered Bonds and/or Covered Bonds which are not admitted to trading on any regulated or unregulated market. As a result, holders of the Covered Bonds issued pursuant to this Offering Circular should be aware that their claims will rank *pari passu* with holders of Covered Bonds which may be issued in a manner other than pursuant to this Offering Circular in respect of the Cover Pool assets.

If an Issuer Event of Default occurs and an Issuer Default Notice is served on the Issuer in respect of a particular Series of Covered Bonds, there will be an Issuer Event of Default in respect of all Series.

If a Covered Bond Event of Default occurs and a Covered Bond Acceleration Notice is served on the Issuer, the Covered Bonds of all Series outstanding will accelerate.

In order to ensure that any further issue of Covered Bonds under the Programme does not adversely affect the existing Covered Bondholders:

- no further covered bonds may be issued under the Programme unless the Issuer has provided written confirmation to the Bond Trustee that the Asset Coverage Test was satisfied on the previous Calculation Date and will continue to be satisfied after the issue of any further covered bonds; and

- no further covered bonds may be issued under the Programme unless the Issuer has certified to the Bond Trustee that no Issuer Event of Default has occurred or will occur as a result of the issuance of further covered bonds.

However, there is no assurance that the issue of a further Series of Covered Bonds would not be ultimately adverse to the interests of any existing holder of Covered Bonds, because of, for instance, the reduced level of collateralisation in the Cover Pool.

Change of law may affect the Covered Bonds

The Conditions are based on English law in effect as of the date of issue of the relevant Covered Bonds. The Bank Account Mandate, the Designated FX Account Mandate and the power of attorney granted to each of the Asset Monitor and the Back-Up Servicer, respectively, and (if applicable) the PMT Trust Agreement will be governed by, and construed in accordance with, Korean law; while all other Transaction Documents will be governed by, and construed in accordance with, English law. No assurance can be given as to the impact of any possible judicial decisions or changes to law, administrative practice or tax treatment in the United Kingdom or Korea after the date of issue of the relevant Covered Bonds.

Ratings of the Covered Bonds may be changed at any time and may adversely affect the fair market value of the Covered Bonds

The Covered Bonds are expected to be rated "AAA" by S&P and "Aaa" by Moody's upon issuance. The ratings address the likelihood of full and timely payment to the Covered Bondholders of all payments of interest on the Covered Bonds on each Interest Payment Date and the full and timely payment of principal by the Maturity Date (or, if an Extended Maturity Date is specified, such Extended Maturity Date). Any rating agency may lower its ratings or withdraw its rating if, in the sole judgement of the rating agency, the credit quality of the Covered Bonds has declined or is in question. If any rating assigned to the Covered Bonds is lowered or withdrawn, the market value of the Covered Bonds may be reduced. A credit rating is not a recommendation to purchase, hold or sell securities and may be subject to revision, suspension or withdrawal at any time.

A credit rating may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above, and other factors that may affect the value of the Covered Bonds. In addition, rating agencies may change their rating methodology from time to time, potentially making it more difficult to maintain a certain credit rating.

If the ratings initially assigned to the Covered Bonds are subsequently lowered or withdrawn for any reason, no person or entity will be obligated to provide any additional credit enhancement with respect to the Covered Bonds. Any reduction or withdrawal of a rating may have an adverse effect on the liquidity and market price of the Covered Bonds. Any reduction or withdrawal of a rating will not constitute an event of default with respect to the Covered Bonds or an event requiring the Issuer to redeem any Covered Bonds. Following the withdrawal of a rating, there is no obligation on any party to procure the re-assessment of a rating to the Covered Bonds.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the European Union and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-European Union credit rating agencies, unless the relevant credit ratings are endorsed by a credit rating agency registered in the European Union or the relevant non-European Union rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings referred to in this Offering Circular is set out in "*Overview of the Programme—Ratings*" of this Offering Circular.

The Covered Bonds may have limited liquidity

The Covered Bonds may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for, the Covered Bonds. If an active trading

market for the Covered Bonds does not develop or is not maintained, the market price and liquidity of the Covered Bonds may be adversely affected. If such a market were to develop, the Covered Bonds could trade at prices that may be higher or lower than the price at which the Covered Bonds are issued depending on many factors, including:

- prevailing interest rates;
- the Issuer's results of operations, financial condition and credit ratings;
- political and economic developments in and affecting Korea;
- the market conditions for similar securities; and
- the financial condition and stability of the Korean financial sector.

Therefore, investors may not be able to sell their Covered Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Covered Bonds that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Covered Bonds generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of the Covered Bonds.

Covered Bonds issued as Green Bonds, Social Bonds or Sustainability Bonds may not be a suitable investment for all investors seeking exposure to green assets, social assets or sustainability assets

The Issuer may issue Covered Bonds under the Programme which are specified to be "Green Bonds," "Social Bonds" or "Sustainability Bonds" in the applicable Pricing Supplement (any such Covered Bonds, "**Green Bonds**", "**Social Bonds**" or "**Sustainability Bonds**", respectively), in accordance with the Issuer's Sustainable Financing Framework. In connection with an issue of Green Bonds, Social Bonds or Sustainability Bonds, the Issuer may request a sustainability rating agency or sustainability consulting firm to issue an independent opinion (a "**Second Party Opinion**") confirming that the Sustainable Financing Framework and any Green Bonds, Social Bonds or Sustainability Bonds are in alignment with the International Capital Market Association's Green Bond Principles 2021 (the "**ICMA Green Bond Principles**"), Social Bond Principles 2023 (the "**ICMA Social Bond Principles**") or Sustainability Bond Guidelines 2021 (the "**ICMA Sustainability Bond Guidelines**"). The ICMA Green Bond Principles, the ICMA Social Bond Principles and the ICMA Sustainability Bond Guidelines are a set of voluntary guidelines that recommend transparency and disclosure and promote integrity in the development of the green bond, social bond and sustainability bond markets. The contents of the Sustainable Financing Framework do not form part of this Offering Circular or the applicable Pricing Supplement and are not incorporated by reference in this Offering Circular or the applicable Pricing Supplement.

Market consensus on what precise attributes are required for a particular project to be defined as "green," "social" or "sustainability" continues to develop and evolve, and different organisations may develop definitions or labels that are different from, and may be incompatible with, those set by other

organisations, and therefore no assurance can be provided to potential investors that the eligible green projects under the Eligible Green Project Categories in the Sustainable Financing Framework (the "**Eligible Green Projects**"), the eligible social projects under the Eligible Social Project Categories in the Sustainable Financing Framework (the "**Eligible Social Projects**") or the eligible projects under a combination of the two categories in the case of Sustainability Bonds (the "**Eligible Sustainability Projects**") will continue to meet the relevant eligibility criteria. Accordingly, no assurance can be given to investors that any adverse environmental, social and/or other impacts will not occur during the operation of any Eligible Green Projects, Eligible Social Projects or Eligible Sustainability Projects. Although applicable green projects, social projects or sustainability projects are expected to be selected in accordance with the categories recognised by the ICMA Green Bond Principles, the ICMA Social Bond Principles or the ICMA Sustainability Bond Guidelines and are expected to be developed in accordance with applicable legislation and standards, there can be no guarantee that adverse environmental and/or social impacts will not occur during the design, construction, commissioning and/or operation of any such green projects, social projects or sustainability projects. Where any negative impacts are insufficiently mitigated, green projects, social projects or sustainability projects may become controversial, and/or may be criticised by activist groups or other stakeholders.

Potential investors should be aware that any Second Party Opinion will not be incorporated into, and will not form part of, this Offering Circular or the applicable Pricing Supplement. Any such Second Party Opinion may not reflect the potential impact of all risks related to the structure of the relevant Series of Green Bonds, Social Bonds or Sustainability Bonds, their marketability, trading price or liquidity or any other factors that may affect the price or value of the Green Bonds, Social Bonds or Sustainability Bonds. Any such Second Party Opinion is not a recommendation to buy, sell or hold securities and is only current as of its date of issue and may be updated, suspended or withdrawn at any time. Currently, the providers of second-party opinions and certifications are not subject to any regulatory regime or oversight. Furthermore, investors will have no recourse against the provider of the second party opinion.

Furthermore, although the Issuer may agree at the relevant issue date of any Green Bonds, Social Bonds or Sustainability Bonds to allocate the amount equal to the net proceeds towards the financing and/or refinancing of Eligible Green Projects, Eligible Social Projects or Eligible Sustainability Projects in accordance with certain prescribed eligibility criteria as described under the Issuer's Sustainable Financing Framework, it would not be an event of default under the Green Bonds, Social Bonds or Sustainability Bonds if (i) the Issuer were to fail to comply with such undertaking or were to fail to allocate the proceeds in the manner specified in the applicable Pricing Supplement and/or (ii) any Second Party Opinion issued in connection with such Green Bonds, Social Bonds or Sustainability Bonds were to be withdrawn. A withdrawal of such Second Party Opinion or any failure to allocate the net proceeds of any Series of Green Bonds, Social Bonds or Sustainability Bonds in connection with green projects, social projects or sustainability projects and/or any failure to meet, or to continue to meet, the investment requirements of certain environmentally or socially focused investors with respect to such Green Bonds, Social Bonds or Sustainability Bonds may affect the value and/or trading price of the Green Bonds, Social Bonds or Sustainability Bonds, and/or may have consequences for certain investors with portfolio mandates to invest in green assets, social assets or sustainability assets.

No assurance can be provided that the use of the proceeds of any Series of Green Bonds, Social Bonds or Sustainability Bonds will satisfy, whether in whole or in part, any present or future investor

expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental or social impact of any projects or uses, the subject of or related to, any Eligible Green Projects, Eligible Social Projects or Eligible Sustainability Projects. In the event that any Series of Green Bonds, Social Bonds or Sustainability Bonds are included in any dedicated "green", "environmental", "sustainable" or other equivalently-labelled index, no assurance is given by the Issuer or any other person that such listing or admission, or inclusion in such index, satisfies any present or future investor expectations or requirements as regards to any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable laws or regulations or by its own constitutive documents or other governing rules or investment portfolio mandates. Each potential investor should have regard to the factors described in the Sustainable Financing Framework.

None of the Issuer, the Bond Trustee, the Initial Collateral Account Custodian Bank, the Agents or the Dealers make any representation as to the suitability for any purpose of any Second Party Opinion or whether any Green Bonds, Social Bonds or Sustainability Bonds fulfil the relevant environmental, social or sustainable criteria. Moreover, no assurance can be provided with respect to the suitability or reliability of any Second Party Opinion or that any Green Bonds, Social Bonds or Sustainability Bonds will fulfil the criteria to qualify as green, social or sustainability bonds. The Dealers, the Bond Trustee, the Initial Collateral Account Custodian Bank and the Agents have not undertaken, nor are responsible for, any assessment of the eligibility of the assets within the definition of Eligible Green Projects, Eligible Social Projects or Eligible Sustainability Projects or the monitoring of the use of proceeds from the offering of any Green Bonds, Social Bonds or Sustainability Bonds. Prospective investors should have regard to the relevant Eligible Green Projects, Eligible Social Projects or Eligible Sustainability Projects and the use of proceeds described in the applicable Pricing Supplement. Each potential purchaser of any Series of Green Bonds, Social Bonds or Sustainability Bonds should determine for itself the relevance of the information contained in this Offering Circular and in the applicable Pricing Supplement regarding the use of proceeds and its purchase of any Green Bonds, Social Bonds or Sustainability Bonds should be based upon such investigation as it deems necessary.

The Covered Bonds may be represented by Global Covered Bonds or Global Certificates and holders of a beneficial interest in a Global Covered Bond or Global Certificate must rely on the procedures of the relevant Clearing System(s)

Covered Bonds issued under the Programme may be represented by one or more Global Covered Bonds or Global Certificates. Such Global Covered Bonds or Global Certificates will be deposited with the Common Depositary for Euroclear and Clearstream, Luxembourg, the CMU and/or DTC (each of Euroclear, Clearstream, Luxembourg, the CMU and DTC, a "**Clearing System**"). Except in the circumstances described in the relevant Global Covered Bond or Global Certificate, investors will not be entitled to receive Definitive Covered Bonds. The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Covered Bonds and Certificates. While the Covered Bonds are represented by one or more Global Covered Bonds or Global Certificates, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Covered Bonds are represented by one or more Global Covered Bonds or Global Certificates, the Issuer will discharge its payment obligations under the Covered Bonds by making payments to the relevant Clearing System for distribution to their account holders.

A holder of a beneficial interest in a Global Covered Bond or Global Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Covered Bonds. None of the Issuer, the Bond Trustee, the Initial Collateral Account Custodian Bank or the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers or any person who controls any of them has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Covered Bonds or Global Certificates.

The Bond Trustee's powers may affect the interests of the Covered Bondholders

In the exercise of its powers, trusts, authorities and discretions, the Bond Trustee shall only have regard to the interests of the Covered Bondholders of a Series as a class but shall not have regard to any interests arising from circumstances particular to individual Covered Bondholders, whatever their number. In the exercise of its powers, trusts, authorities and discretions, the Bond Trustee may not act on behalf of the Issuer.

If, in connection with the exercise of its powers, trusts, authorities or discretions, the Bond Trustee is of the opinion that the interests of the Covered Bondholders would be materially prejudiced thereby, the Bond Trustee shall not exercise such power, trust, authority or discretion without the approval of such Covered Bondholders by Extraordinary Resolution or by a written resolution of such Covered Bondholders of not less than 50% of the Principal Amount Outstanding of Covered Bonds then outstanding.

Fixed Rate Covered Bonds are subject to interest rate risks

Investment in Fixed Rate Covered Bonds involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Covered Bonds, this will adversely affect the value of the Fixed Rate Covered Bonds.

Covered Bonds issued at a substantial discount or premium are subject to greater price volatility.

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

There may be extendable obligations under the Covered Bonds

The applicable Pricing Supplement may provide that an Extended Maturity Date (as defined below) applies to a Series of Covered Bonds.

If an Extended Maturity Date so applies and if the Issuer fails to redeem all of the relevant Series of Covered Bonds in full on the Maturity Date or within 10 days thereafter, the maturity of the Covered

Bonds and the date on which such Covered Bonds will be due and payable for the purposes of the Conditions will be automatically extended up to but no later than the Extended Maturity Date, subject as otherwise provided in the applicable Pricing Supplement. The Issuer (or, if an Issuer Default Notice has been served on the Issuer, the Asset Monitor on behalf of the Issuer) shall give notice to the holders of Covered Bonds and to the Bond Trustee, the Paying Agents and the Rating Agencies in writing at least five Business Days prior to the Maturity Date of the Series of Covered Bonds confirming whether or not it intends to redeem all or any of the principal amount outstanding in respect of such Series of Covered Bonds on the Maturity Date, or within 10 days thereafter. In that event, the Issuer may redeem all or part of the principal amount outstanding of the Covered Bonds on an Interest Payment Date falling in any month after the Maturity Date, up to and including the Extended Maturity Date or as otherwise provided for in the applicable Pricing Supplement. In that event also, the Covered Bonds will bear interest on the principal amount outstanding of the Covered Bonds in accordance with the applicable Pricing Supplement.

The Covered Bonds may be treated as issued with original issue discount for U.S. federal income tax purposes

The Covered Bonds may be issued with original issue discount ("**OID**") for U.S. federal income tax purposes. If the stated principal amount of the Covered Bonds exceeds their "issue price" by an amount that is equal to or greater than the statutory de minimis amount, the Covered Bonds will be treated as issued with OID for U.S. federal income tax purposes in an amount equal to such difference. If the Covered Bonds are treated as issued with OID for U.S. federal income tax purposes, U.S. investors in such Covered Bonds will generally be required to include OID in their gross income as it accrues in advance of the receipt of cash payments attributable to such income using the constant yield method. See "*Taxation—Certain U.S. Federal Income Tax Considerations—Original Issue Discount*".

Other parties may rank ahead of the Covered Bondholders

Pursuant to the Programme Deed, the Master Definitions Schedule and the Swap Agreements, the Asset Monitor will apply the Cover Pool Assets in accordance with the relevant Priority of Payments, which sets out the order in which the Cover Pool Assets will be applied. The Priority of Payments provides that the payment claims of certain parties will rank ahead of the claims of other parties following the service of an Issuer Default Notice and/or the service of an Early Acceleration Notice on the Issuer. In particular, the claims of the Bond Trustee, the Agents, the Asset Monitor, the Account Banks and, in certain cases, termination payments due to Swap Providers will rank ahead of the claims of the Covered Bondholders.

The Covered Bonds with a later Maturity Date or an Extended Maturity Date are subject to more risks

Under the Priority of Payments, later maturing Series of Covered Bonds (including those in respect of which the repayment of the principal amount outstanding has been extended up to such Extended Maturity Date) may carry more risk than other Series of Covered Bonds with an earlier Maturity Date or Extended Maturity Date, since any over-collateralisation in the Cover Pool will be applied to redeem earlier maturing Series of Covered Bonds as they become due and payable until the service of a Covered Bond Acceleration Notice, following which the amounts outstanding under all Series of Covered Bonds will accelerate and become due and payable and any shortfall in the Cover Pool assets will be divided amongst all such Series of Covered Bonds on a pro rata and *pari passu* basis.

Certain decisions of the Covered Bondholders must be taken at Programme level

Any Extraordinary Resolution to direct the Bond Trustee to serve an Issuer Default Notice following an Issuer Event of Default or to serve a Covered Bond Acceleration Notice following a Covered Bond Event of Default and any direction to the Bond Trustee to take any enforcement action or to appoint a substitute issuer or to replace the Bond Trustee, in each case must be passed at a single meeting of the Covered Bondholders of all Series holding or representing not less than 67% of the Principal Amount Outstanding of the Covered Bonds. Therefore, the holders of a single Series of Covered Bonds may not be able to separately direct the Bond Trustee.

Investors who purchase Covered Bonds in denominations that are an integral multiple of the Specified Denomination may be adversely affected if Definitive Covered Bonds are subsequently required to be issued

In relation to any issue of Covered Bonds that have denominations consisting of a minimum specified denomination ("**Specified Denomination**") plus one or more higher integral multiples of another smaller amount, it is possible that such Covered Bonds may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case, a Covered Bondholder who, as a result of trading such amounts, holds an amount which (after deducting integral multiples of such minimum Specified Denomination) is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time, may not receive a Definitive Covered Bond in respect of such holding (should Definitive Covered Bonds be printed) and would need to purchase a principal amount of Covered Bonds such that its holding amounts to a Specified Denomination. If such Covered Bonds in definitive form are issued, Covered Bondholders should be aware that Definitive Covered Bonds that have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Covered Bonds are subject to exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Covered Bonds in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Covered Bonds, (ii) the Investor's Currency-equivalent value of the principal payable on the Covered Bonds and (iii) the Investor's Currency-equivalent market value of the Covered Bonds.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

There may be potential conflicts of interest in connection with the Programme

The Issuer has a number of roles pursuant to the Programme including, but not limited to, the role of Issuer, and it also services the Mortgage Loans in the Cover Pool and determines whether it is in

compliance with the Pre-Maturity Test. In respect of the Programme, the Issuer will act in its own interest subject to compliance with the Transaction Documents. Such actions by the Issuer may not be in the best interests of, and may adversely affect, the holders of the Covered Bonds, including by negatively impacting the ability of the Issuer to pay to the holders of the Covered Bonds any principal and/or interest due on the Covered Bonds. Subject to compliance with the Transaction Documents, the Issuer may act in its own interest without incurring any liability to the holders of any Series or Tranche of Covered Bonds. The Issuer relies on third parties to perform its obligations under the Covered Bonds. The Issuer has entered into agreements with a number of third parties who have agreed to perform services for the Issuer. In particular, but without limitation, the Asset Monitor has been appointed to calculate and/or monitor compliance with the Asset Coverage Test and the Amortisation Test and to provide services in respect of the management, maintenance and disposal of the Cover Pool following the occurrence of an Issuer Event of Default; and following a Bank Termination Event in respect of KEB Hana Bank as Account Bank, the Collection Account, the Designated FX Account and/or the Reserve Cash Account will be held with a third party Account Bank. If a Back-Up Servicer Trigger Event occurs, then the Issuer shall appoint a Back-Up Servicer to service the Mortgage Loans in the Cover Pool (or the Asset Monitor may appoint a Back-Up Servicer on its own if the Issuer fails to take the requested action within a specified period). The ability of the Issuer, any of its delegates or any Back-Up Servicer to fully perform the required services would depend, among other things, on its access to information, software and records available at the time.

In the event that any of those parties fails to perform its obligations under the relevant agreement to which it is a party, the realisable value of the Cover Pool or any part thereof or pending such realisation (if the Cover Pool or any part thereof cannot be sold) and the ability of the Issuer to make payments under the Covered Bonds may be adversely affected. For instance, if the Issuer (or any Back-Up Servicer or delegate appointed by it) has failed to service the Mortgage Loans adequately, this may lead to higher incidents of non-payment or default by the Obligors. The Issuer is also reliant on the Swap Providers to provide it with the funds matching its obligations under the Covered Bonds, as described below.

In the event of a termination of the Asset Monitor's or any third party Account Bank's appointment, any delay or inability to appoint a substitute Asset Monitor or replacement Account Bank that has the requisite Approved Ratings may affect the realisable value of the Cover Pool or any part thereof and/or the ability of the Issuer to make payments under the Covered Bonds. Covered Bondholders will have no right to consent to or approve of any actions taken by the Asset Monitor under the Programme Deed. In addition, the terms agreed with the replacement entity may not be as favourable as those agreed with the original party pursuant to the Transaction Documents.

None of the Bond Trustee, the Initial Collateral Account Custodian Bank or the Agents is responsible for monitoring compliance with, nor the monitoring of, the Asset Coverage Test, the Amortisation Test, (in relation to a Series of Hard Bullet Covered Bonds on a Pre-Maturity Test Date) the Pre-Maturity Liquidity Assets Value, or any other test nor supervising the performance by any other party of its obligations under any Transaction Document.

If a Swap terminates, the Issuer's ability to make payments under the Transaction Documents may be impaired

The Issuer will enter into one or more Swaps to hedge against currency and/or interest rate risks in respect of amounts received and payable by the Issuer under the Covered Bonds (in each case prior to

the termination of the Swap in accordance with the provisions of the relevant Swap Agreement). See "*Summary of the Principal Documents—Swap Agreements*" for a more detailed description of the Swap and Swap Agreements. There can be no assurance that any Swap entered into by the Issuer will fully hedge all currency risks to which the Issuer is exposed in connection with any issuance of Covered Bonds.

If the Issuer fails to make timely payments of amounts due under any Swap Agreement entered into with a Swap Provider (subject to any applicable grace period), then the Issuer will have defaulted under that Swap Agreement and the Swap(s) entered into with the relevant Swap Provider may be terminated. It should also be noted that if the Issuer fails to pay an amount under a Swap Agreement on the due date for payment (subject to the any applicable grace period), an Issuer Event of Default will occur under the Conditions.

There are a number of other circumstances in which a Swap may terminate. Certain of these other circumstances are summarised under "*Summary of the Principal Documents—Swap Agreements*". In the case of the occurrence of an event of default or a termination event under the relevant Swap Agreement, the Swap(s) entered into with the relevant Swap Provider under such Swap Agreement may be terminated. Further, a Swap Provider is only obliged to make payments to the Issuer under the Swap Agreement as long as and to the extent that the Issuer complies with its payment obligations (subject to any applicable grace periods) under the relevant Swap Agreement. If either (i) a Swap terminates, (ii) the Swap Provider is not obliged to make payments under the Swap Agreement due to an event of default in respect of the Issuer under the relevant Swap Agreement, or (iii) the Swap Provider defaults in its obligations to make payments of amounts in the currency of the relevant Covered Bonds equal to the full amount to be paid to the Issuer on the payment date under a Swap, the Issuer will be exposed to changes in the currency rates of exchange for converting Won into the currency of the relevant Covered Bonds and to any changes in the relevant rates of interest. Following the termination of a Swap, unless a replacement swap is entered into, the Issuer may have insufficient funds to make payments under the Covered Bonds.

If a Swap terminates, then the Issuer may be obliged to pay Swap Expenses and/or Swap Subordinated Amounts to the relevant Swap Provider. There can be no assurance that the Issuer will have sufficient funds available to pay Swap Expenses and/or Swap Subordinated Amounts under the relevant Swap Agreement, nor can there be any assurance that the Issuer will be able to find a replacement swap provider which has sufficiently high ratings as may be required by any of the Rating Agencies and which agrees to enter into a replacement swap.

If the Issuer is obliged to pay Swap Expenses under any Swap Agreement following an Issuer Event of Default, such termination payment (other than any termination payments resulting from a termination of the Swap following an event of default or termination event by the relevant Swap Provider under the relevant Swap Agreement) will (prior to the service of an Early Acceleration Notice) rank ahead of any principal or interest amounts due on the Covered Bonds and (following the service of an Early Acceleration Notice) rank *pari passu* with any principal or interest amounts due on the Covered Bonds, save for any amounts that constitute Swap Subordinated Amounts. The obligation to pay Swap Expenses and/or Swap Subordinated Amounts may adversely affect the ability of the Issuer to meet its obligations under the Covered Bonds.

The Covered Bonds are subject to uncertainties in insolvency proceedings and validity and/or enforceability of subordination provisions

There is uncertainty as to the validity and/or enforceability of a provision which (based on contractual and/or trust principles) subordinates certain payment rights of a creditor to the payment rights of other creditors of its counterparty upon the occurrence of insolvency proceedings relating to that creditor. In particular, recent cases have focused on provisions involving the subordination of a hedging counterparty's payment rights in respect of certain termination payments upon the occurrence of insolvency proceedings or other default on the part of such counterparty (so-called "flip clauses"). Such provisions are similar in effect to the terms which will be included in the Transaction Documents relating to the subordination of payments under the Cover Pool Priority of Payments.

The UK Supreme Court has held that a flip clause as described above is valid under English law. However, the United States Bankruptcy Court has held that such a subordination provision is unenforceable under United States bankruptcy law and that any action to enforce such provision would violate the automatic stay which applies under such law in the case of a United States bankruptcy of the counterparty. The implications of this conflicting judgment are not yet known, particularly as the United States Bankruptcy Court approved, in December 2010, the settlement of the case to which the judgment relates and the appeal was subsequently dismissed. However, there remains a stayed action in the United States commenced by the Lehman Brothers' Chapter 11 debtors concerning the enforceability of flip clauses and, in addition, in February 2012, a complaint was filed by certain parties seeking recognition and enforcement of the decision in *Belmont Park Investments Pty Limited v BNY Corporate Trustee Services Limited and Lehman Brothers Special Financing Inc* [2011] UKSC 38 (and corresponding lower court decisions) and other declaratory relief with respect to the flip clause in question on the case described above. At the same time as filing the complaint, the relevant parties also filed a motion seeking the withdrawal of the reference from the United States Bankruptcy Court, requesting that the complaint be heard instead by the United States District Court. It has not yet been determined whether the complaint will be addressed by the United States Bankruptcy Court or the United States District Court, nor is it known when the complaint will be addressed.

If a creditor of the Issuer (such as a Swap Provider) or a related entity becomes subject to insolvency proceedings in any jurisdiction outside England and Wales (including, but not limited to, the United States), and it is owed a payment by the Issuer, a question arises as to whether the insolvent creditor or any insolvency official appointed in respect of that creditor could successfully challenge the validity and/or enforceability of subordination provisions included in the English law governed Transaction Documents (such as a provision of the Cover Pool Priority of Payments which refers to the ranking of the Swap Providers' payment rights). In particular, based on the decision of the United States Bankruptcy Court referred to above, there is a risk that such subordination provisions would not be upheld under United States bankruptcy laws. Such laws may be relevant in certain circumstances with respect to a range of entities which may act as Swap Provider, including entities established in the United States and certain entities established outside the United States with assets or operations in the United States (although the scope of any such proceedings may be limited if the relevant non-United States entity is a bank with a licenced branch in a state within the United States). In general, if a subordination provision included in the Transaction Documents was successfully challenged under the insolvency laws of any relevant jurisdiction outside England and Wales and any relevant foreign judgment or order was recognised by the English courts, there can be no assurance that such actions would not adversely affect

the rights of the Covered Bondholders, the market value of the Covered Bonds and/or the ability of the Issuer or the Cover Pool assets to satisfy the Issuer's obligations under the Covered Bonds.

Lastly, given the general relevance of the issues under discussion in the judgments referred to above and that the Transaction Documents will include terms providing for the subordination of payments under the Cover Pool Priority of Payments, there is a risk that the final outcome of the dispute in such judgments (including any recognition action by the English courts) may result in negative rating pressure in respect of the Covered Bonds. If any rating assigned to the Covered Bonds is lowered, the market value of the Covered Bonds may reduce.

Commingling of Cashflows

Certain Mortgage Loans (including some types of *Bogeumjari* loans) which may be included in the Cover Pool are serviced by KHFC ("**KHFC Serviced Mortgage Loans**"). The cash-collection mechanics applicable to KHFC Serviced Mortgage Loans prior to the occurrence of an Issuer Event of Default have the following or similar features:

(a) obligors of such loans make periodic payments (by way of automated transfer) from their bank accounts to a bank account held by and in the name of KHFC with a third-party credit institution. Such bank accounts are "**general accounts**" of KHFC and will be used for purposes which may be in no way connected to the issuance of the Covered Bonds, being used both to receive and to make certain payments; and

(b) an amount equal to payments received by KHFC from the obligors of such loans will be transferred on the business day of receipt from such general accounts into the Collection Account or if such transfer is not possible for technical or administrative reasons on that day, on the next following Seoul Business Day.

Thus, the cash collection generated by the KHFC Serviced Mortgage Loans that are included in the Cover Pool may be subject to becoming part of a "**mixed fund**", combined with other cash collections that are unrelated to the Cover Pool Assets. The daily transfer of an amount equal to the amount of such collections mitigates the possibility of such combination but there can be no assurance that such daily transfer of funds would always take place successfully.

Following the occurrence of an Issuer Event of Default, the cash collection mechanism applicable to KHFC Serviced Mortgage Loans included in the Cover Pool will change. The occurrence of an Issuer Event of Default will, as described further below, cause the Back-Up Servicer (if appointed) to give a notice to the obligors of such loans, requiring them to alter their payment arrangements and make payment directly to the Collection Account. While the Back-Up Servicer (if appointed) will be required to issue such notices as soon as practical, there can be no assurance that it will be able to do so before an obligor makes payment in accordance with the previous payment arrangements used by that obligor. This would result in the relevant amounts being paid into an account in the name of KHFC and potentially becoming part of a mixed fund combined with cash collections that are unrelated to the Cover Pool Assets. Thus, whilst the cash collection arrangement in relation to the KHFC Serviced Mortgage Loans have been structured so as to ensure that the cashflow generated by such loans is paid, as quickly as possible, into the Collection Account, both before and after the occurrence of an Issuer Event of Default, there can be no assurance that will be achieved as contemplated or at all and such

amounts could become part of a mixed fund. In this event, such collections will not benefit from the protection otherwise provided by the KHFC Act in terms of priority right existing over such collections for the benefit of the holders of the Covered Bonds. However, the relevant protections of the KHFC Act are expected to operate if such collections are paid into the Collection Account.

Implementation of and/or changes to the Basel III framework may affect the capital requirements and/or the liquidity associated with a holding of the Covered Bonds for certain investors

In Europe, the United States and elsewhere, there is significant focus on fostering greater financial stability through increased regulation of financial institutions, and their corresponding capital and liquidity positions. This has resulted in a number of regulatory initiatives which are currently at various stages of implementation and which may have an impact on the regulatory position for certain investors in covered bond exposures and/or on the incentives for certain investors to hold covered bonds, and may thereby affect the liquidity of such securities. Investors in the Covered Bonds are responsible for analysing their own regulatory position and none of the Issuer, the Arranger or the Dealers makes any representation to any prospective investor or purchaser of the Covered Bonds regarding the treatment of their investment on the Issue Date or at any time in the future.

In particular, it should be noted that the Basel Committee on Banking Supervision ("**BCBS**") has approved significant changes to the Basel regulatory capital and liquidity framework (such changes being commonly referred to as Basel III). Basel III provides for a substantial strengthening of existing prudential rules, including new requirements intended to reinforce capital standards (with heightened requirements for global systemically important banks) and to establish a leverage ratio "backstop" for financial institutions and certain minimum liquidity standards (referred to as the Liquidity Coverage Ratio ("**LCR**") and the Net Stable Funding Ratio ("**NSFR**")). BCBS member countries agreed to implement Basel III from 1 January 2013, subject to transitional and phase-in arrangements for certain requirements (e.g. the LCR requirements refer to implementation from the start of 2015, with full implementation by January 2019, and the NSFR requirements refer to implementation from January 2018). As implementation of Basel III requires national legislation, the final rules and the timetable for its implementation in each jurisdiction, as well as the treatment of covered bonds (e.g. as LCR eligibility assets or not), may be subject to some level of national variation. It should also be noted that changes to regulatory capital requirements are coming for insurance and reinsurance undertakings through national initiatives, such as the Solvency II framework in Europe. Prospective investors should therefore make themselves aware of the requirements described above (and any corresponding implementing rules of their regulator), where applicable to them, in addition to any other applicable regulatory requirements with respect to their investment in the Covered Bonds. No predictions can be made as to the precise effects of such matters on any investor or otherwise.

Interest based on the Secured Overnight Financing Rate ("SOFR") or the Sterling Overnight Index Average ("SONIA") will only be capable of being determined near the end of the relevant interest period.

The applicable Pricing Supplement of any Floating Rate Covered Bonds that reference SOFR or SONIA may specify that the calculation methodology will be weighted average or compounded daily using a formula or using SOFR or SONIA index values.

The amount of interest payable with respect to any such Floating Rate Covered Bonds for a given Interest Period (as defined in the "*Terms and Conditions of the Covered Bonds*") will be determined on

the relevant Interest Determination Date (as defined in the "*Terms and Conditions of the Covered Bonds*") for such Interest Period. Because each such date will be near the end of such Interest Period, Covered Bondholders (as defined in "*Terms and Conditions of the Covered Bonds*") will not know the amount of interest payable on such Floating Rate Covered Bonds with respect to a given Interest Period until shortly prior to the related Interest Payment Date (as defined in the "*Terms and Conditions of the Covered Bonds*"). In addition, it may be difficult for Covered Bondholders to estimate reliably the amount of interest that will be payable on each such Interest Payment Date. As a result, some investors may be unable or unwilling to trade such Floating Rate Covered Bonds without changes to their information technology systems, which could adversely impact the liquidity and trading price of any such Floating Rate Covered Bonds. Further, if Floating Rate Covered Bonds referencing SOFR or SONIA become due and payable as a result of an event of default, or are otherwise redeemed early on a date other than an Interest Payment Date, the rate of interest payable for the final Interest Period in respect of such Floating Rate Covered Bonds will only be determined immediately or shortly prior to the date on which the Floating Rate Covered Bonds become due and payable and shall not be reset thereafter.

To permit a reasonable amount of time to make payment arrangements after the amount of interest is determined, the applicable Pricing Supplement of any Floating Rate Covered Bonds that reference SOFR or SONIA may specify observation methods such as lookback, shift or payment delay. Conventions regarding observation methods for SOFR rates and SONIA rates used for debt securities continue to evolve and may differ materially from observation method conventions used for other financial products, such as interest rate swaps or syndicated loans. Investors should carefully consider how any mismatches in observation method conventions in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of any Floating Rate Covered Bonds that reference SOFR or SONIA.

The regulation and reform of "benchmark" rates of interest and indices may adversely affect the value of Covered Bonds linked to or referencing such "benchmarks"

The Programme allows for the issuance of Covered Bonds that reference certain interest rates or other types of rates or indices which are deemed to be "benchmarks", in particular with respect to certain Floating Rate Covered Bonds where the Reference Rate (as defined in the Conditions) may be HIBOR, EURIBOR, SONIA Benchmark, SOFR Benchmark or SORA Benchmark or another such benchmark. The Pricing Supplement for the Covered Bonds will specify whether HIBOR, EURIBOR, SONIA Benchmark, SOFR Benchmark or SORA Benchmark or another such benchmark is applicable.

Interest rates and indices which are deemed to be or used as "benchmarks" are the subject of recent international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely or to have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Covered Bond linked to or referencing such a benchmark.

More broadly, any of the international reforms or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the

setting of a benchmark and complying with any such regulations or requirements. For example, The Association of Banks in Singapore ("**ABS**") and Singapore Foreign Exchange Market Committee ("**SFEMC**") have proposed to discontinue SIBOR and to transition from SOR to an alternative interest rate benchmark, which has been identified as SORA.

The elimination of any benchmarks, or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Covered Bonds linked to such benchmark. Such factors may have the following effects on certain benchmarks:

(i) discourage market participants from continuing to administer or contribute to the benchmark;

(ii) trigger changes in the rules or methodologies used in the benchmark; or

(iii) lead to the disappearance of the benchmark.

Any of the above changes or any other consequential changes as a result of international reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Covered Bonds linked to or referencing a benchmark.

Where Screen Rate Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Covered Bonds is to be determined, the Conditions provide that the Rate of Interest shall be determined by reference to the relevant screen page or website depending on whether the Reference Rate is specified as being (or derived from) HIBOR, EURIBOR, SONIA Benchmark, SOFR Benchmark or SORA Benchmark. In the case of any discontinuation or disapplication of such Reference Rate in accordance with the Conditions, which may include circumstances where the regulatory supervisor of the administrator of the original Reference Rate makes a public statement that such Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market, Condition 4.9 sets out more details on the mechanics for determining the Rate of Interest in the absence of the original applicable Reference Rate. Such mechanics may involve the determination of a replacement Reference Rate and a spread adjustment to be applied to such replacement Reference Rate. The use of any replacement Reference Rate and application of a spread adjustment determined in accordance with Condition 4.9 to determine the Rate of Interest is likely to result in Covered Bonds initially linked to or referencing the original applicable Reference Rate performing differently (which may include payment of a lower Rate of Interest, as applicable) than they would do if the original Reference Rate were to continue to apply in its current form. Any such determination which involves the exercise of discretion by the Issuer or, if the designated person is an affiliate of the Issuer, such affiliate, may also present the Issuer or such affiliate with a conflict of interest.

Furthermore, if a replacement Reference Rate has been determined by the Issuer (or its designated person, as the case may be) in accordance with Condition 4.9, the Conditions provide that the Issuer may vary the Conditions and/or the Bond Trust Deed and/or the Agency Agreement, as necessary to ensure the proper operation of such replacement Reference Rate, without any requirement for consent or approval of the Covered Bondholders.

Where Condition 4.9 is specified in the relevant Pricing Supplement as the applicable mechanics for determining a replacement Reference Rate, there may be circumstances in which a new replacement

Reference Rate may not be able to be determined before the next Interest Determination Date. In such event, the Rate of Interest for the next succeeding Interest Period will be the Rate of Interest applicable as at the last preceding Interest Determination Date before the discontinuation or disapplication of the original Reference Rate in accordance with the Conditions. This is likely to result in Covered Bonds linked to or referencing the relevant benchmark performing differently (which may include payment of a lower Rate of Interest) than they would do if the relevant benchmark were to continue to apply, or if a replacement Reference Rate could be determined. The initial Rate of Interest, or the Rate of Interest applicable as at the last preceding Interest Determination Date before the discontinuation or disapplication of the original applicable Reference Rate in accordance with the Conditions, could, as a result, continue to apply to maturity, which would lead to the floating rate Covered Bonds, in effect, becoming fixed rate Covered Bonds.

Where ISDA Determination is specified as the manner in which the Rate of Interest in respect of Floating Rate Covered Bonds is to be determined, the Conditions provide that the Rate of Interest in respect of the Floating Rate Covered Bonds shall be determined by reference to the relevant Floating Rate Option in the 2021 ISDA Definitions. Where the Floating Rate Option specified is an "IBOR" Floating Rate Option, the Rate of Interest may be determined by reference to the relevant screen rate or the rate determined on the basis of quotations from certain banks. If the relevant IBOR is permanently discontinued and the relevant screen rate or quotations from banks (as applicable) are not available, the operation of these provisions may lead to uncertainty as to the Rate of Interest that would be applicable, and may, adversely affect the value of, and return on, the Floating Rate Covered Bonds.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by any international reforms, in making any investment decision with respect to any Covered Bonds linked to or referencing a benchmark.

The impact of EMIR, Dodd-Frank Act and rule-making thereunder could have an adverse impact on a holding of the Covered Bonds

The European Market Infrastructure Regulation 648/2012 ("**EMIR**") entered into force on 16 August 2012. EMIR aims to increase stability in European over-the-counter ("**OTC**") derivatives markets and includes measures to require the clearing of certain OTC derivatives contracts through central clearing counterparties and to increase the transparency of OTC derivatives transactions. EMIR will apply to OTC derivatives contracts falling within its scope entered into by financial counterparties established in the European Union, regardless of the identity of the other counterparty to the contract. Whether EMIR applies directly to OTC derivatives contracts falling within its scope entered into by the Issuer as a third country entity will depend on the circumstances. EMIR may however affect the Issuer indirectly due to the fact that the fulfilment by the Issuer's counterparties of certain of their obligations under EMIR (where applicable) affects the obligations the Issuer is required to undertake under its agreements with such counterparties.

In connection with EMIR, various implementing technical standards have now come into force, but certain critical technical standards remain outstanding, including those addressing which classes of OTC derivative contracts will be subject to the clearing obligation and the scope of collateralisation obligations in respect of OTC derivative contracts which are not cleared. Therefore, the potential impact of the clearing obligation on the types of derivative contracts that are entered into by the Issuer

is not clear, including whether it will be possible to clear such derivative contracts or whether the derivative contracts will be determined to be too bespoke to be cleared.

Prospective investors should be aware that the regulatory changes arising from EMIR may in due course significantly increase the cost for the Issuer of entering into derivative contracts and may adversely affect their ability to engage in derivative contracts.

In addition, The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "**D-F Act**") was signed into law on 21 July 2010. The D-F Act represents the most comprehensive changes to financial regulation in the United States in half of a century, and impacts, among other things, the over-the-counter ("**OTC**") derivatives market and the ability of certain financial institutions to invest in certain types of investment vehicles. Title VII of the D-F Act provides the Commodity Futures Trading Commission (the "**CFTC**") and the SEC with jurisdiction over the OTC derivatives market, and mandates, among other things, that such transactions be subject to mandatory clearing or the posting of significant amounts of initial and variation margin. While the SEC and the CFTC have adopted a number of regulations implementing Title VII, certain regulations have not yet been finalised, and so the full impact and extraterritorial reach of Title VII cannot yet be fully assessed. To the extent that the Issuer has entered or enters into derivative transactions that are subject to Title VII, the Issuer may incur additional material costs and expenses that could adversely impact its ability to fulfil its obligations, including the Covered Bonds.

The D-F Act also includes the Volcker Rule, which generally prohibits "**banking entities**" (broadly defined to include U.S. banks and bank holding companies, along with many non-U.S. financial institutions with a U.S. bank branch, as well as the subsidiaries and affiliates of the foregoing) from, among other things, acquiring or retaining an "**ownership interest**" in or sponsoring a "**covered fund**", subject to certain exceptions. If the Issuer is a "**covered fund**", banking entities subject to the Volcker Rule may be prohibited from acquiring or retaining the Covered Bonds to the extent that they are deemed to be an "**ownership interest**" in the Issuer unless they are able to rely on an exception to the Volcker Rule's prohibitions. Limitations on the ability of banking entities to purchase or retain the Covered Bonds could significantly and negatively affect the liquidity and market value of the Covered Bonds.

In particular, the Swaps contemplated under the Programme may include agreements that are regulated as covered swaps under Title VII, each of which may be subject to new clearing, execution, capital, margin posting, reporting and recordkeeping requirements under the Dodd-Frank Act that could result in additional regulatory burdens, costs and expenses (including extraordinary, non-recurring expenses of the Issuer). Such requirements may disrupt the Issuer and its affiliates' ability to hedge their exposure to various transactions, including any obligations it may owe to investors under the Covered Bonds, and may materially and adversely impact a transaction's value or the value of the Covered Bonds. While the Dodd-Frank Act provides for the grandfathering of certain swaps, such grandfathering may not apply to the transactions entered into by the Issuer or may only apply to certain transactions. Additionally, the Issuer cannot be certain as to how these regulatory developments will impact the treatment of the Covered Bonds.

Given that the full scope and consequences of the enactment of EMIR and the Dodd-Frank Act and the rules still to be adopted thereunder are not yet known, investors are urged to consult their own advisers regarding the suitability of an investment in any Covered Bonds.

Risks Relating to the Cover Pool

Limited description of the Cover Pool

This Offering Circular does not contain detailed statistics or information in relation to the Mortgage Loans in the Cover Pool as at the Programme Date because it is expected that the constitution of the Cover Pool may periodically change due to the addition and removal of the Mortgage Loans from time to time by the Issuer, this being expressly permitted by the Programme Deed. The Programme Deed requires that the Eligibility Criteria be satisfied at the time any Mortgage Loans are included in the Cover Pool with respect to those Mortgage Loans. The Issuer will also make the Representations and Warranties set out in the Programme Deed at the time each Mortgage Loan is included in the Cover Pool, though certain of the Representations and Warranties will, as described further below, relate to the facts and circumstances prevailing as at the relevant Cut-off Date. Prior to the occurrence of an Issuer Event of Default, the Issuer will provide the Bond Trustee, the Rating Agencies and the Swap Providers with a monthly report setting out certain information regarding the Mortgage Loans in the Cover Pool, including the monthly calculation of the Asset Coverage Test (the "**Pool Report**"). Following the occurrence of an Issuer Event of Default, the Asset Monitor may procure the Back-up Servicer to provide the Asset Monitor, the Rating Agencies and Bond Trustee with a Pool Report, including the monthly calculation of the Amortisation Test.

Notwithstanding the compliance with the Eligibility Criteria and the Representations and Warranties, as well as the requirements of the Asset Coverage Test and the Amortisation Test, there can be no assurance that the Mortgage Loans in the Cover Pool will generate sufficient cashflows to pay the interest on and repay the principal of the Covered Bonds following the occurrence of an Issuer Event of Default. The Cover Pool Assets are the only source of value from which payments can be made in respect of the Covered Bonds, Certificates, Coupons and Talons following the occurrence of an Issuer Event of Default.

Changes to the Business Alliance Arrangement/Loan Sale and Purchase Agreements/Approved Servicing Agreements

As described above, the Issuer purchases mortgage loans originated by the Participating Banks, which may continue to service the Mortgage Loans on the Issuer's behalf after such sale. The Issuer has undertaken overall responsibility for servicing, directly or indirectly, the Mortgage Loans. The Issuer may rely primarily on the Participating Banks to perform the primary servicing of the Mortgage Loans. The commercial relationship between the Issuer and the Participating Banks is governed by a "**Business Alliance Agreement**". Purchases of Mortgage Loans by the Issuer from the Participating Banks occur pursuant to loan sale and purchase agreements and the servicing of those loans occurs pursuant to "**Approved Servicing Agreements**". The arrangements with the Participating Banks have not been modified for the purposes of the issuance of the Covered Bonds and neither the Bond Trustee nor the Asset Monitor has control over those arrangements. The Participating Banks are not party to any of the Transaction Documents and as such owe no duties to the Asset Monitor or the Bond Trustee. There can be no assurance that the Participating Banks will in the future perform, or perform satisfactorily, their obligations under these arrangements or that their obligations will not be modified, though the Issuer has agreed in the Programme Deed not to make any changes to those arrangements which would have a material adverse effect on the Covered Bonds, except in certain limited circumstances.

Factors that may affect the availability of collections of principal and interest on the Mortgage Loans (the "Collections") or other proceeds thereon to make payments under the Covered Bonds

There can be no assurance that the Borrowers will meet their obligations in respect of their Mortgage Loans or that the cashflows generated by the Mortgage Loans will be sufficient to ensure that the Asset Monitor, following the occurrence of an Issuer Event of Default, will receive sufficient amounts to make all scheduled payments of interest and repayments of principal in respect of the Covered Bonds. The ongoing ability of the Borrowers to meet their payment obligations in respect of the Mortgage Loans depends on, and may be adversely affected by, numerous factors, including, without limitation, each Borrower's individual financial situation, changes in political and economic conditions generally or changes in specific industry segments, changes in governmental rules, regulations and fiscal policies, financial mismanagement, war or acts of violence or force majeure. The Borrowers may be, consistent with the Issuer's public policy mandate, low- and moderate-income households, and as such may be particularly susceptible to changes in economic circumstances.

The credit risk associated with Korean household debt has increased in recent years. If the creditworthiness of Korean consumers continues to decline, the rate of payment defaults by the Borrowers may increase. In the event that the Borrowers default on their payment obligations under their respective Mortgage Loans, the amount of funds available to the Asset Monitor may be adversely affected and would then depend on the prompt enforcement of, and the amount realised from, the Mortgage Loans and the related real estate securing such Mortgage Loans. As described above, enforcement action in respect of a Mortgage Loan, being a court sanctioned process in Korea, has no definite timeline. There can be no assurance that the enforcement process (and the realisation of any enforcement proceeds) will be completed in a timely manner. This could have a detrimental impact on the performance of the Covered Bonds following the occurrence of an Issuer Event of Default.

Certain of the Cover Pool Assets may be subject to prior-ranking security interests over the related residential properties (each, a "Mortgaged Property"), which may adversely affect the adequacy of the Mortgaged Properties as security for such Mortgage Loans

Certain of the Mortgaged Properties may be let by the relevant Borrower to residential tenants, where this is permitted by the terms of the relevant Mortgage Loan. It is common practice in Korea for tenants to pay a lump sum deposit (known, in the Korean language, as *bojung kum* or "**key money**") to the landlord to hold until the expiry of the lease. Key money deposits have the benefit of security interests which, in certain circumstances, may take priority over the relevant mortgage. The landlord is free to invest the key money deposit in any manner it considers appropriate (including speculative investments in stocks or real estate). Upon the termination or expiry of the lease, the landlord is required to return the key money deposit to the tenant, without interest. In the event that the landlord is unable to repay the key money deposit to the tenant, the tenant may have the right to enforce its security over the Mortgaged Property. The key money deposit is therefore a senior debt, secured on the Mortgaged Property.

In the event that the security for a Mortgage Loan becomes enforceable and the Issuer or the Back-Up Servicer enforces the security over the related Mortgaged Property, the proceeds of such enforcement may not be sufficient to discharge both the senior secured obligation in respect of the key money deposit and the subordinated secured obligations in respect of the Mortgage Loan. As a result, such circumstances could adversely affect the amount of funds available to the Asset Monitor to apply to repay the Covered Bonds.

As prescribed by local regulation, Korean banks are required to take into account such prior ranking security interests in calculating the LTV ratio of the mortgage loans, except to the extent the borrower has taken out specified mortgage insurance covering such amount.

The Mortgage Loans are secured by real estate assets subject to certain inherent risks which could adversely affect the willingness or ability of the Borrowers to make payments in respect of the Mortgage Loans or the amount realised if the security over the related Mortgaged Properties is enforced

The market for the Mortgaged Properties may be adversely affected by certain conditions which include, but are not limited to, adverse changes in the national, regional or local economic and demographic conditions in Korea. Other real estate market factors that are worthy of consideration include real estate values generally and the location of the Mortgaged Properties, interest rates, real estate tax rates, inflation, the supply of and demand for residential properties, zoning laws or other governmental rules and policies and competitive conditions (including the construction of new, competing properties). Real estate values in Seoul fluctuated during the period between December 2004 and December 2024. In particular, from December 2014 to December 2024, Seoul experienced an increase in apartment values of 32.5%. Nationally in Korea, there was also an increase in apartment values of 13.9% over the same period. The Government may, from time to time, introduce measures to either stimulate the real estate market or to reduce speculative activity. There can be no assurance as to whether such measures will be effective and whether the Government will not change or abandon such measures or introduce new measures, but these measures could impact upon any action taken to enforce security over the Mortgaged Properties.

The Asset Coverage Test and the Amortisation Test may not ensure the sufficiency of the assets and cash flows of the Issuer to meet its obligations under the Covered Bonds.

The Asset Coverage Test and the Amortisation Test are intended to test whether the assets and cash flows of the Issuer, including the Liquid Assets and other assets in the Cover Pool and cash flows in respect thereof, will be adequate to enable the Issuer to meet its obligations under the Covered Bonds prior to and following the service of an Issuer Default Notice.

The Asset Coverage Test is met if the Adjusted Aggregate Loan Amount is at least equal to the Won Equivalent of the aggregate Principal Amount Outstanding of all Covered Bonds as of each Calculation Date. Prior to the service of an Issuer Default Notice, if a breach of the Asset Coverage Test occurs as of any Calculation Date and which has not been cured on or before the second following Calculation Date, then an Issuer Event of Default shall occur and the Bond Trustee shall be entitled (and, in certain circumstances, may be required) to serve an Issuer Default Notice on the Issuer. Following service of an Issuer Default Notice, any breach of the Amortisation Test or the Issuer's failure to pay any interest on or principal of a Covered Bond (subject to applicable grace periods) would give rise to a Covered Bond Event of Default and the Bond Trustee shall be entitled (and, in certain circumstances, may be required) to serve a Covered Bond Acceleration Notice on the Issuer.

Pursuant to the Programme Deed, following the service of an Issuer Default Notice (but prior to the service of an Early Acceleration Notice on the Issuer), the Issuer must ensure that it is in compliance with the Amortisation Test on each Calculation Date. The Amortisation Test will be satisfied if the

Amortisation Test Adjusted Aggregate Loan Amount is in an amount at least equal to the Won Equivalent of the aggregate Principal Amount Outstanding of all the Covered Bonds as calculated as of the Calculation Date immediately preceding that Calculation Date. The Amortisation Test is intended to test whether the assets of the Cover Pool fall below a certain threshold, and therefore whether the assets of the Cover Pool are sufficient to meet the Issuer's obligations under the Covered Bonds.

If the value of the Cover Pool has not been maintained in accordance with the terms of the Asset Coverage Test or, if applicable, the Amortisation Test, then such failure may reduce the likelihood that the realisable value of the Cover Pool or any part thereof (both before and after the occurrence of an Issuer Event of Default) will be sufficient for the Issuer (or the Asset Monitor on its behalf) to make payments under the Covered Bonds. Mortgage Loans that are six months or more in arrears are given zero weighting for the purposes of the Asset Coverage Test and the Amortisation Test.

Prior to service of an Issuer Default Notice or an Early Acceleration Notice, the Asset Monitor will, subject to receipt of the relevant information from the Issuer, test the calculations performed by the Issuer in respect of the Asset Coverage Test. Following service of an Issuer Default Notice (but prior to service of an Early Acceleration Notice), the Asset Monitor will be required to perform calculations in respect of the Amortisation Test.

Although the Cover Pool is expected to be realised for sufficient value to enable the Issuer to meet its obligations under the Covered Bonds, there can be no assurance that the Asset Coverage Test and the Amortisation Test or any other test will fully ensure the sufficiency of the assets and cash flows of the Issuer for such purposes.

The Issuer may not be able to obtain sufficient Pre-Maturity Liquidity Assets to remedy any breach of the Pre-Maturity Test.

If there is a failure of the Pre-Maturity Test in respect of a Series of Hard Bullet Covered Bonds prior to service of an Issuer Default Notice on the Issuer, the Issuer may need to add Pre-Maturity Liquidity Assets to the Pre-Maturity Liquidity Ledger of the Reserve Cash Account and/or of the Reserve Securities Account, the PMT Cash Account and/or the PMT Securities Account, with the intention that the aggregate Pre-Maturity Liquidity Assets Value on each relevant Pre-Maturity Test Date will at least be equal to the Won Equivalent of the Required Redemption Amount for all Series of Hard Bullet Covered Bonds which are scheduled to mature within 12 months of the relevant Pre-Maturity Test Date. See "*Summary of the Principal Documents—Programme Deed—Pre-Maturity Liquidity*". The Issuer may not be able to obtain sufficient Pre-Maturity Liquidity Assets to credit to such accounts to remedy any breach of the Pre-Maturity Test by the required date and an Issuer Event of Default may occur as a result.

Changes to the lending criteria of the Participating Banks may lead to increased defaults by borrowers.

Each of the mortgage loans originated by the Participating Banks will have been originated in accordance with its lending criteria at the time of origination. The Participating Banks' lending criteria has generally considered the type of property, term of loan, age of applicant, the loan-to-value ratio,

insurance policies, status and income of applicants and credit history and is expected to continue to do so. The Participating Banks retain the right to revise their lending criteria from time to time but would only do so to the extent that such a change would be acceptable to reasonable and prudent institutional mortgage lenders in the Korean market and having consideration of the Korean regulatory guidelines. If the lending criteria of the Participating Banks changes in a manner that affects the creditworthiness of the mortgage loans, that may lead to increased defaults by borrowers and may affect the realisable value of the Cover Pool, or part thereof, and the ability of the Issuer to make payments on the Covered Bonds.

There can be no assurance that timely payments will be made in the case of bankruptcy of the Issuer.

Following the service of an Issuer Default Notice or an Early Acceleration Notice on the Issuer, the Asset Monitor may (but shall in no event be required to, unless directed by the Bond Trustee) take action, in accordance with the Programme Deed, to ensure that holders of the Covered Bonds receive timely payments on the Covered Bonds, including disposing of assets in the Cover Pool. The Asset Monitor's ability to apply the Cover Pool assets to make payments in accordance with the Programme Deed following the service of an Issuer Default Notice will depend on the available Mortgage Loan Collections in the Collection Account, (b) the funds available in the Accumulation Accounts, (c) amount held in the Interest Accumulation Account and Principal Accumulation Account, and (d) cash or proceeds from any assets credited to the Pre-Maturity Liquidity Ledger of the Reserve Cash Account and/or of the Reserve Securities Account, the PMT Cash Account and/or the PMT Securities Account.

The Asset Monitor will use collections and proceeds of disposal from the Cover Pool to pay the Covered Bondholders and other expenses and parties in accordance with the Post Default Priority of Payments set out in the Programme Deed. However, the Asset Monitor may not be able to realise assets in the Cover Pool for sufficient values to satisfy obligations under the Covered Bonds and other arrangements that rank in priority to or *pari passu* with amounts due on the Covered Bonds in accordance with the Post Default Priority of Payments.

Mortgage Loans in the Cover Pool may be subject to insolvency clawback risk.

Under Korean law, the insolvency administrator appointed pursuant to insolvency proceedings commenced with respect to the Issuer in Korea would be entitled to claw back Mortgage Loans from the Cover Pool if the following conditions ("**Clawback Conditions**") had been satisfied at the time of the transfer of the Mortgage Loans (including new Mortgage Loans) to the Cover Pool by the Issuer: (1) (i) the Issuer was Insolvent; or (ii) the Issuer would be Insolvent within a reasonably foreseeable future thereafter (at least within 60 days after the Mortgage Loans were included into the Cover Pool); and (2) the Issuer was aware that the Issuer was Insolvent and was aware of any reason why the Issuer would be Insolvent within the reasonably foreseeable future thereafter. "Insolvent" with respect to the Issuer means that: (a) the Issuer's total assets are less than its total liabilities; (b) the Issuer has suspended payments of its indebtedness or is unable to pay its debts generally; (c) a petition is filed by or with respect to the Issuer under the Debtor Rehabilitation and Bankruptcy Act (the "**DRBA**"); or (d) the Issuer is designated as a "failing company" under the Corporate Restructuring Promotion Act (the "**CRPA**") or a "failing financial institution" under the Act on the Improvement of the Financial Industry of Korea. If any of the Clawback Conditions were satisfied at the time of the transfer of the

Mortgage Loans (including new Mortgage Loans) to the Cover Pool by the Issuer, it cannot be ruled out that the insolvency administrator of the Issuer would seek to claw back the relevant Mortgage Loans from the Cover Pool and into the general assets of the Issuer's insolvency estate.

Under the Programme Deed, the Issuer may not transfer new Mortgage Loans to the Cover Pool unless it provides a Solvency Certificate.

Collections in respect of Mortgage Loans may be commingled with other collections in respect of KHFC Serviced Mortgage Loans which are not part of the Cover Pool until collections are re-directed to the Collection Account following the occurrence of an Issuer Event of Default.

Until collections paid by the Obligors in respect of the Mortgage Loans which are KHFC Serviced Mortgage Loans in the Cover Pool are redirected by the automatic debit banks to the Collection Account (which is part of the Cover Pool) following the occurrence of an Issuer Event of Default with respect to the KHFC Serviced Mortgage Loan Collection Accounts and the service of the Re-Direction Notice, any collections in respect of the Mortgage Loans which are KHFC Serviced Mortgage Loans and are Cover Pool Assets will continue to be paid to the collection accounts (which are not part of the Cover Pool) maintained in the name of the Issuer with the Participating Banks through which such KHFC Serviced Mortgage Loans were disbursed, which is not part of the Cover Pool. Such collections will be commingled with collections in respect of KHFC Serviced Mortgage Loans which are not part of the Cover Pool, until such collections are transferred by the Participating into the Collection Account on the same day of receipt of such collections, or if such transfer cannot take place on that date because of administrative or technical reasons, on the next following Seoul Business Day. Any delay or failure of the Participating Banks to send the automatic debit or the Asset Monitor (or the Back-Up Servicer if appointed) to send the Re-Direction Notices to the relevant Borrowers following the occurrence of an Issuer Event of Default could affect the amount available in the Cover Pool to pay the Covered Bondholders.

Changes in the servicer may result in delays in payments.

The Issuer will continue to service the Mortgage Loans in the Cover Pool and receive collections in relation to the Mortgage Loans in the Cover Pool until it delegates its servicing obligations to a Servicer. Under the Programme Deed, following the occurrence of a Back-Up Servicer Trigger Event, the Issuer shall appoint (and if the Issuer is unable to appoint within a specified period, the Asset Monitor shall appoint) a Back-Up Servicer. There is no assurance that a Back-Up Servicer who has sufficient experience of administering residential mortgages and who is willing and able to service the Mortgage Loans on the terms required by the Asset Monitor would be found. There is no assurance that any Back-Up Servicer appointed will be able to perform the servicing duties that may be required by the Asset Monitor to ensure continued servicing of the Mortgage Loans and to maintain the ratings of the Covered Bonds.

There is no assurance that the Asset Monitor or any Back-Up Servicer, when required, will be able to perform the collection services as well as the Issuer or in a timely manner. In particular, it may take time from the date of the appointment of the Back-Up Servicer until the IT system of the Back-Up Servicer is fully integrated with that of the Issuer and such servicing and collection of amounts due from Obligors will require the cooperation of the Issuer or any bankruptcy administrator appointed in

respect of the Issuer. There could be delays in the collection and management of payments due by Obligors in respect of the Mortgage Loans. Any such change of servicer of the Mortgage Loans could adversely affect the Asset Monitor's ability to apply the Cover Pool assets to pay in accordance with the payments waterfall set out in the Programme Deed following the service of an Issuer Default Notice.

Management and disposal of the Cover Pool by the Asset Monitor are subject to certain limitations.

The Asset Monitor undertakes in the Programme Deed that it will perform its duties in connection with the management, maintenance and (if it deems appropriate) disposal of the Cover Pool with the level of due care as is required of the Asset Monitor under the Programme Deed and exercise the standard of care necessary to protect the interests of the parties to whom cash is applied following an Issuer Event of Default, acting reasonably and in good faith for and on behalf of the parties to whom cash is applied following an Issuer Event of Default. However, the exact timing and the manner in which the Asset Monitor decides to perform its duties and in particular to dispose of all or part of the Cover Pool may affect the realisable value of the Cover Pool or any part thereof.

Certain factors may adversely affect the value of the Cover Pool realisable by the Asset Monitor.

The realisable value of the assets of the Cover Pool (which may affect the timing and quantum of payments on the Covered Bonds) may be adversely affected by:

- the extent of representations or warranties that the Issuer may give in respect of the assets;
- default by Borrowers of amounts due on their Mortgage Loans; and
- changes to the lending criteria of the Issuer.

If the realisable value of the Cover Pool assets is less than the par value thereof, then such deficiency will adversely affect the level of overcollateralisation available for Covered Bonds maturing at a later date.

The Mortgage Loans are exposed to fluctuations in performance of the Korean real estate market.

The Issuer's Mortgage Loan portfolio is exposed to fluctuations in performance of the Korean residential real estate market. Declines in demand for, or falls in the price of, residential real estate in Korea could have a significant impact on the business of the Issuer, reducing both its income from collections of interest and principal payments and the value of the properties securing the Issuer's Mortgage Loans. In relation to the Mortgage Loans, such factors could reduce the liquidation proceeds and thereby ultimately result in less funds available to make payment of interest on and the repayment of principal of the Covered Bonds.

See also the Risk Factor headed "—A decline in the value of the collateral securing the Mortgage Loans and its inability to realise full collateral value may adversely affect the Issuer's Mortgage Loans" below.

A decline in the value of the collateral securing the Mortgage Loans and its inability to realise full collateral value may adversely affect the Issuer's Mortgage Loans.

As described above, residential real estate values in Korea have fluctuated significantly in recent years. Although the maximum loan-to-value of the Mortgage Loans included in the Cover Pool is 70% at the time of origination, downturns in the real estate markets in Korea from time to time have resulted in declines in the value of the collateral securing some loans to levels below their outstanding principal balance. Future declines in real estate prices would reduce the value of the collateral securing the Mortgage Loans. If collateral values decline in the future to a sufficient extent, they may not be sufficient to cover amounts owing in respect of the relevant Mortgage Loan. Following the occurrence of an Issuer Event of Default, cash collections from, and disposal proceeds of, the Mortgage Loans in the Cover Pool are the primary source of payment on the Covered Bonds.

In the event of a decline in real estate prices, losses sustained on the Mortgage Loans could result in losses being sustained on the Covered Bonds. In addition, any declines in the value of the real estate securing its mortgage loan portfolio could result in a deterioration in the Issuer's asset quality and may require it to take additional loan loss provisions.

In Korea, the process of enforcing security on real estate assets generally requires a written petition to a court by the secured creditor. An application, when made, may be subject to delays and administrative requirements that may result in a decrease in the value realised with respect to the relevant secured asset. There can be no assurance that the Issuer will be able to realise the full value of the security as a result of, among other factors, delays in enforcement proceedings and defects, if any, in the perfection of its security interest, though it is a requirement that all the Mortgage Loans included in the Cover Pool have the benefit of fully perfected mortgages over real estate in Korea. The Issuer's failure to recover the expected value of the security could expose it to losses and may impact upon the payment of interest on, and the repayment of principal, of the Covered Bonds.

The Cover Pool consists of limited assets.

The Cover Pool consists mainly of Mortgage Loans which are secured on interests in residential property located in Korea and also claims which the Issuer holds, or may acquire, against Swap Providers and certain other Liquid Assets or other assets. All Mortgage Loans in the Cover Pool shall have, at the date of this Offering Circular, a loan-to-value ratio (calculated as the ratio of the loan amount to the mortgage value of the property) of 70% or lower of the collateral property in the case of residential mortgage loans, in accordance with the internal regulations of KHFC.

It should be noted that the value of the Issuer's Cover Pool may decline in the event of a general downturn in the value of property in Korea (given that currently all of the mortgaged properties in the Cover Pool are in Korea), which could adversely affect the Issuer's ability to perform its obligations under the Covered Bonds.

The Cover Pool is subject to geographic concentration risks.

Certain geographic regions of Korea from time to time will experience weaker regional economic conditions and housing markets or be directly or indirectly affected by natural disasters. Mortgage loans in such areas will experience higher rates of loss and delinquency than mortgage loans generally.

The ability of borrowers to make payments on the Mortgage Loans may also be affected by factors which do not necessarily affect property values, such as adverse economic conditions generally in particular geographic areas or industries, or affect particular segments of the borrowing community (such as borrowers relying on commission income and self-employed borrowers). Such occurrences may accordingly affect the actual rates of delinquencies, foreclosures and losses with respect to the mortgage loans in the Cover Pool.

The Mortgage Loans may from time to time be concentrated in certain regions. Such concentration may present the risk considerations described above in addition to those generally present for similar securities without such concentration.

Borrowers may default on their obligations under their Mortgage Loans.

Borrowers may default on their obligations due under the Mortgage Loans for a variety of reasons. The Mortgage Loans are affected by credit, liquidity and interest rate risks. Various factors influence mortgage delinquency rates, prepayment rates, repossession frequency and the ultimate payment of interest and principal. Examples of such factors include changes in the national or international economic climate, regional economic or housing conditions, changes in tax laws, interest rates, inflation, the availability of financing, yields on alternative investments, political developments and government policies. Other factors in the Borrowers' individual, personal or financial circumstances may affect the ability of Borrowers to repay the Mortgage Loans. Loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies by and bankruptcies of Borrowers, and could ultimately have an adverse impact on the ability of Borrowers to repay the Mortgage Loans. In addition, the ability of a Borrower to sell a property given as security for a Mortgage Loan at a price sufficient to repay the amounts outstanding under that Mortgage Loan will depend upon a number of factors, including the availability of buyers for that property, the value of that property and property values in general at the time.

Chapter 4 Proceedings could delay the enforcement of the Mortgage Loan Assets and Collateral Security.

Chapter 4 of the Korean Consolidated Insolvency Act, similar to the Korean Act on Individual Debtor Rehabilitation, provides for individual debtor rehabilitation proceedings for individual debtors who earn wages or business income with debts of no more than a specified amount (the "**Chapter 4 Proceedings**"). Chapter 4 Proceedings are intended to assist individuals in financial difficulty by providing a court-sanctioned financial rehabilitation programme outside the Korean bankruptcy regime. Under a Chapter 4 Proceeding, a debtor, such as a Borrower, may apply to the court to have certain of his or her debts rescheduled to allow future income to be used to repay those debts. Chapter 4 Proceedings will not directly affect the amount, timing or interest rate in respect of a Mortgage Loan but may affect the enforcement of security over the Mortgaged Properties while the court considers the debtor's application for rehabilitation, which may take up to a month. Further, once the court issues an order to commence a Chapter 4 Proceeding, any enforcement of security will be automatically suspended until a repayment plan is approved by the court or the Chapter 4 Proceeding is discontinued, whichever is earlier. If the approval of the repayment plan is delayed, the value and timing of proceeds of enforcement of the security for a Mortgage Loan granted by a Borrower or a third party who has applied for a Chapter 4 Proceeding could be adversely affected, which could, in turn, adversely affect the Issuer's ability to pay the amounts under the Covered Bonds when they become due for payment following the occurrence of an Issuer Event of Default.

There can be no assurance that Borrowers of the Mortgage Loans will not seek the protection of Chapter 4 Proceedings.

For further information about Chapter 4 Proceedings, see "Korean Legal Considerations—Insolvency Laws—Chapter 4 Proceedings".

Chapter 2 Proceedings could adversely affect the enforcement of the Mortgage Loans and security.

Chapter 2 of the Korean Consolidated Insolvency Act provides for rehabilitation proceedings based on the former Korean Corporate Reorganisation Act but expands the scope of eligible applicants to all types of legal entities in respect of rehabilitation proceedings, including corporations and unincorporated foundations or associations, as well as individuals (a "**Chapter 2 Proceeding**"). As described above, eligible individuals may petition for a Chapter 4 Proceeding under the Consolidated Insolvency Act as well. Under the Consolidated Insolvency Act, an individual debtor may petition to the court for a Chapter 2 Proceeding if he or she is unable to repay his or her debts when they become due without having a material adverse effect on his or her business or if he or she may become bankrupt. Unlike a Chapter 4 Proceeding, in a Chapter 2 Proceeding, claims of secured creditors will be subject to the rehabilitation plan approved by the court. While it is expected that claims of the secured creditors will receive preferential treatment relative to claims of unsecured creditors, there can be no assurance that, when a Borrower or a third party granting security for a Mortgage Loan files for a Chapter 2 Proceeding, the claims of the Issuer in relation to the related Mortgage Loan and security will not be thereby adversely affected. This could in turn adversely affect the Issuer's ability to pay the amounts due under the Covered Bonds when they become due for payment following the occurrence of an Issuer Event of Default.

There can be no assurance that the Borrowers of the Mortgage Loans will not seek the protection of Chapter 2 Proceedings.

For further information about Chapter 2 Proceedings, see "Korean Legal Considerations—Insolvency Laws—Chapter 2 Proceedings".

Individual Work-out Plans could restrict the Issuer or the Asset Monitor's ability to recover amounts due and payable under the Mortgage Loans or to enforce the Mortgages to retain the full value of the proceeds of enforcement.

The Issuer and the Participating Banks, together with other Korean consumer finance lenders, are subject to the Korean financial industry's Agreement among Financial Institutions for Assisting Credit Recovery Support Plan (the "**Individual Work-out Plan Agreement**") which took effect on 25 September 2002 (and which has subsequently been amended) to assist qualifying individuals who are in financial difficulty to avoid personal bankruptcy. The Individual Work-out Plan Agreement applies to sole practitioners and to individuals who have a poor credit history, who owe Won 1.5 billon or less to financial institutions and (i) whose income exceeds the minimum cost of living determined by a review committee established under the Individual Work-out Plan Agreement or (ii) who are determined by the Review Committee to be able to repay their debts.

The Review Committee can recommend a plan (the "**Individual Work-out Plan**") and if the Individual Work-out Plan is adopted by approval of creditor financial institutions representing more than 50% of the debtor's outstanding unsecured debt and more than 50% of the debtor's outstanding secured debt, the creditor financial institutions are bound by its terms. The Individual Work-out Plan, if adopted, would have the effect of delaying or reducing the payment of any amount payable in respect of a Mortgage Loan owed by a Borrower who benefits from the Individual Work-out Plan.

For further information about Individual Work-out Plans, see "Korean Legal Considerations—Insolvency Laws—Individual Work-out Plans".

Borrowers may assert set-off rights against the Participating Banks, thereby adversely affecting the Issuer's ability to pay the amounts due under the Covered Bonds when they become due for payment

In order to perfect the sale of a Mortgage Loan against the relevant Borrower, a notice must be given to, or consent received from, the Borrower. The Participating Bank selling the Mortgage Loan additionally provides an explanation of the prior consent clause in the Mortgage Loan Agreement to the Borrower and perfection against the Borrowers will be achieved by virtue of the prior consent of the Borrowers, subject to the relevant Mortgage Loan Agreement, as contemplated by the KHFC Act. Perfection shall be deemed to have occurred at the time of the transfer of a Mortgage Loan from a Participating Bank to the Issuer. Once the sale is perfected against the relevant Borrower, the Borrower should not be able to set-off other claims against the Participating Banks in respect of its obligations under the Mortgage Loans which may arise after the transfer to the Issuer. Korean legal advice obtained in the context of structuring the issuance of the Covered Bonds has indicated that, even where the sale is perfected against the relevant Borrower, the Borrowers may still be able to set-off such claims against their obligations under the Mortgage Loans, if the grounds for such claims arose prior to the transfer of their Mortgage Loans. In the event that Borrowers assert their rights to set-off other claims against the Participating Banks from their obligations under the Mortgage Loans, the amount of collections from the Mortgage Loans in the Cover Pool available to make payments on the Covered Bonds following an Issuer Event of Default may be adversely affected, notwithstanding the over collateralisation required by the Asset Coverage Test or the Amortisation Test, as applicable.

Risks Relating to Korea

If economic conditions in Korea deteriorate, the Issuer's current business and future growth could be materially and adversely affected

The economic indicators in Korea in recent years have shown mixed signs of deterioration and recovery. Following a period of deterioration due to the debilitating effects of the COVID-19 pandemic on the Korean economy as well as on the economies of Korea's major trading partners in 2020, the overall Korean economy showed some signs of recovery in 2021. However, adverse conditions and volatility in the worldwide financial markets, fluctuations in oil and commodity prices, supply chain disruptions and the increasing weakness of the global economy, mainly due to the Russia-Ukraine war and the ensuing sanctions against Russia, difficulties faced by several banks in the United States and Europe and the escalating hostilities in the Middle East following the Israel-Hamas war as well as significant fluctuations in policy interest rates globally, have contributed to the uncertainty of global economic prospects in general and have adversely affected the Korean economy, which has been

characterised by high levels of uncertainty resulting from high inflation rates, a rise in interest rates and a depreciation of the Won against the U.S. dollar. As a result, future growth of the Korean economy is subject to many factors beyond the Issuer's control, including developments in the global economy.

Other developments that could have an adverse impact on the Korean economy include:

- declines in consumer confidence and a slowdown in consumer spending, including as a result of higher levels of market interest rates;
- political uncertainty or increasing strife among or within political parties in Korea and the ensuing societal unrest;
- the imposition of significant tariffs on Korea's exports by any of its major export markets, such as the imposition of a 25% tariff on Korea's exports to the United States announced in April 2025, which was paused for a period of 90 days;
- rising inflationary pressures leading to increases in the costs of goods and services and a decrease in purchasing power;
- the occurrence of severe health epidemics in Korea and other parts of the world (such as the global COVID-19 pandemic);
- adverse conditions or developments in the economies of countries and regions that are important export markets for Korea, such as China, the United States, Europe and Japan, or in emerging market economies in Asia or elsewhere, including as a result of deteriorating economic and trade relations between the United States and China and increased uncertainties in the global financial markets and industry;
- hostilities, political or social tensions involving Russia (including the Russia-Ukraine war and the ensuing sanctions against Russia) and the resulting adverse effects on the global supply of oil and other natural resources and the global financial markets;
- adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including fluctuation of the Won against the U.S. dollar, Euro or Japanese Yen exchange rates or revaluation of the Chinese Renminbi), interest rates, inflation rates or stock markets;
- deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from territorial or trade disputes or disagreements in foreign policy;
- increased sovereign default risks in select countries and the resulting adverse effects on the global financial markets;

- deterioration in the financial condition or performance of small- and medium-sized enterprises and other companies in Korea due to the Government's policies to increase minimum wages and limit working hours of employees;

- investigations of large Korean business groups and their senior management for possible misconduct;

- a continuing rise in the level of household debt and increasing delinquencies and credit defaults by retail and small-and medium-sized enterprise borrowers in Korea;

- shortages of imported raw materials, natural resources, rare earth minerals or component parts, including semiconductors, due to disruptions to the global supply chain;

- social and labour unrest;

- substantial changes in the market prices of Korean real estate;

- a substantial decrease in tax revenues and a substantial increase in the Government's expenditures for fiscal stimulus measures, unemployment compensation and other economic and social programmes, which would likely lead to a national budget deficit as well as an increase in the Government's debt;

- financial problems or lack of progress in the restructuring of Korean business groups, other large troubled companies, their suppliers or the financial sector;

- loss of investor confidence arising from corporate accounting irregularities, allegations of corruption and corporate governance issues concerning certain Korean companies;

- increases in social expenditures to support an ageing population in Korea or decreases in economic productivity due to the declining population size in Korea;

- a continued decrease in the population and birthrates in Korea;

- geo-political uncertainty and the risk of further attacks by terrorist groups around the world;

- natural or man-made disasters that have a significant adverse economic or other impact on Korea or its major trading partners;

- hostilities or political or social tensions involving countries in the Middle East (including those resulting from the escalating hostilities in the Middle East following the Israel-Hamas war) and Northern Africa and any material disruption in the global supply of oil or sudden increase in the price of oil; and

- an increase in the level of tensions or an outbreak of hostilities between the Democratic People's Republic of Korea ("**North Korea**") and Korea or the United States.

Escalations in tensions with North Korea could have an adverse effect on the Issuer and the market price of the Covered Bonds

Relations between Korea and North Korea have been tense throughout Korea's modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of current and future events. In particular, there have been heightened security concerns in recent years stemming from North Korea's nuclear weapon, ballistic missile and satellite programmes as well as its hostile military actions against Korea. Some of the significant incidents in recent years include the following:

- North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty in January 2003 and has conducted six rounds of nuclear tests since October 2006, including claimed detonations of hydrogen bombs and warheads that can be mounted on ballistic missiles. Over the years, North Korea has continued to conduct a series of missile tests, including missiles launched from submarines and intercontinental ballistic missiles that it claims can reach the United States mainland. North Korea has increased the frequency of such activities since the beginning of 2022, firing numerous ballistic missiles, including intercontinental ballistic missiles, and in November 2023, successfully launched its first spy satellite. In response, the Government has repeatedly condemned the provocations and flagrant violations of relevant United Nations Security Council resolutions. In February 2016, the Government also closed the inter-Korea Gaeseong Industrial Complex in response to North Korea's fourth nuclear test in January 2016. Internationally, the United Nations Security Council has passed a series of resolutions condemning North Korea's actions and significantly expanding the scope of sanctions applicable to North Korea. Over the years, the United States and the European Union have also expanded their sanctions applicable to North Korea.

- In March 2010, a Korean naval vessel was destroyed by an underwater explosion, killing many of the crewmen on board. The Government formally accused North Korea of causing the sinking, while North Korea denied responsibility. Moreover, in November 2010, North Korea fired more than one hundred artillery shells that hit Korea's Yeonpyeong Island near the Northern Limit Line, which acts as the de facto maritime boundary between Korea and North Korea on the west coast of the Korean peninsula, causing casualties and significant property damage. The Government condemned North Korea for the attack and vowed stern retaliation should there be further provocation.

North Korea's economy also faces severe challenges, which may further aggravate social and political pressures within North Korea.

Although bilateral summit meetings were held between Korea and North Korea in April, May and September 2018 and between the United States and North Korea in June 2018, February 2019 and June 2019, there can be no assurance that the level of tensions affecting the Korean peninsula will not escalate in the future. Any further increase in tensions, which may occur, for example, if North Korea experiences a leadership crisis, high-level contacts between Korea and North Korea break down or military hostilities occur, could have a material adverse effect on the Korean economy and on the Issuer's business, financial condition and results of operations and the price of the Covered Bonds, including a downgrade in our credit rating or the credit ratings of the Covered Bonds.

Unfavourable financial and economic developments in Korea may have an adverse effect on the Issuer

The Issuer is incorporated in Korea, and a significant portion of the Issuer's revenue is generated in Korea. As a result, the Issuer is subject to economic, political, legal and regulatory risks specific to Korea, and our business, financial condition and results of operations, as well as the successful execution of our operational strategies, are substantially dependent on developments relating to the Korean economy. The economic indicators in Korea in recent years have shown mixed signs of growth and uncertainty, and future growth of the Korean economy is subject to many factors beyond our control, including developments in the global economy. Any future deterioration of the Korean or global economy could adversely affect our business, financial condition and results of operations.

Labour unrest in Korea may adversely affect the Issuer's operations

Economic difficulties in Korea or increases in corporate reorganisations and bankruptcies could result in layoffs and higher unemployment. Such developments could lead to social unrest and substantially increase government expenditures for unemployment compensation and other costs for social programmes. According to statistics from the Korea National Statistical Office, the unemployment rate decreased from 2.9% in 2022 to 2.7% in 2023 but increased to 2.8% in 2024. However, further increases in unemployment and any resulting labour unrest in the future could adversely affect the Issuer's operations, as well as the operations of many of the Issuer's customers and their ability to repay their loans, and could adversely affect the financial condition of Korean companies in general, depressing the price of their securities. These developments would likely have an adverse effect on the Issuer's financial condition and results of operations.

Financial instability in other countries, particularly emerging market countries in Asia, could adversely impact the Issuer's business

The Korean market and the Korean economy are influenced by economic and market conditions in other countries, particularly emerging market countries in Asia, including China. Financial turmoil in Asia, Russia and elsewhere in the world in the past has adversely affected the Korean economy. Although economic conditions are different in each country, investors' reactions to developments in one country can have adverse effects on the securities of companies in other countries, including Korea. A loss of investor confidence in the financial systems of emerging and other markets may cause increased volatility in Korean financial markets. The Issuer cannot be certain that financial events of the type that occurred in emerging markets in Asia in 1997 and 1998 will not happen again in Asia or in other markets that may have an adverse effect on its business. In addition, the loss of investor confidence and increased uncertainty in the global financial markets as a result of a referendum in the United Kingdom in June 2016, in which the majority of voters voted in favour of leaving the European Union, may also cause increased volatility in Korean financial markets.

Exchange controls and other circumstances beyond the control of the Issuer may result in the Issuer being unable to obtain sufficient amount in the currency/currencies in which the Covered Bonds are denominated on favourable terms or when necessary

All of the debt obligations under the Mortgage Loans are payable in Won. The payment of amounts due under the Covered Bonds denominated in a currency/currencies other than Won (each, a "**Covered**

Bond Currency") will depend upon the ability of the Issuer to convert payments made by the Issuer in Won into a sufficient amount in the relevant currency/currencies to meet payments due under the Covered Bonds and to pay in such currency/currencies outside Korea. There can be no assurance that future governmental policies of Korea (including the imposition of exchange controls or remittance restrictions) would not adversely affect the ability of the Issuer to obtain the Covered Bond Currency/ Covered Bond Currencies or the ability of the Issuer to transfer amounts in such currency/currencies abroad. Furthermore, delays in the conversion of Won amounts into a Covered Bond Currency coupled with a devaluation of the Won could reduce the amount in such Covered Bond Currency received by the Issuer which could have an adverse effect on its ability to pay the amounts due under the Covered Bonds when they become due for payment.

General Risks

Unfavourable changes in the global financial markets could adversely affect the Issuer's results of operations and financial condition

The overall prospects for the Korean and global economy remain uncertain. In recent years and in 2024, the global financial markets have experienced significant volatility as a result of, among other things:

- the occurrence of severe health epidemics, such as the global COVID-19 pandemic;
- a deterioration in economic and trade relations between the United States and its trading partners, including as a result of the imposition of significant tariffs by the United States on its trading partners;
- financial and social difficulties affecting many countries worldwide, in particular in Latin America and Europe;
- escalations in trade protectionism globally and geopolitical tensions in East Asia and the Middle East (including those resulting from the escalating hostilities in the Middle East following the Israel-Hamas war);
- the slowdown of economic growth in China and other major emerging market economies;
- interest rate fluctuations as well as changes in policy rates, or other monetary and fiscal policies set forth, by the U.S. Federal Reserve and other central banks; and
- political and social instability in various countries in the Middle East, including Syria, Iraq and Yemen, as well as in Eastern Europe, including Russia and Ukraine.

In light of the high level of interdependence of the global economy, unfavourable changes in the global financial markets, including as a result of any of the foregoing developments, could have a material adverse effect on the Korean economy and financial markets. In addition, in certain circumstances of emergency affecting domestic and global economic conditions, the Government may impose certain restrictions or obligations on banks, including the Issuer, pursuant to the Foreign Exchange Transactions Act of Korea in an effort to stabilise the Korean economy. Such restrictions or obligations may also have a material adverse effect on the Issuer's business, financial condition and results of operations.

THE KOREA HOUSING FINANCE CORPORATION ACT

The following describes elements of the KHFC Act that relate to the issuance of the Covered Bonds. It is not a complete summary of the KHFC Act.

The Covered Bonds are designed to satisfy the requirements for mortgage-backed bonds under the KHFC Act. The principal provisions of the KHFC Act that relate to mortgage-backed bonds and the Government's support are summarised below.

KHFC was established by the KHFC Act in 2004 in order to provide mortgage loan finance and related funding to low- and moderate-income households in Korea. As a primary means to achieve this goal, KHFC is authorised to purchase mortgage loans from Korean mortgage lenders and to raise funding by originating MBS and mortgage-backed bonds. In addition to establishing KHFC, the KHFC Act sets out: the scope of KHFC's business; its management structure; the methods by which KHFC funds its activities (including the issuance of mortgage-backed bonds); and the financial support provided to KHFC by the Government. For further information in respect of KHFC, see "*Korea Housing Finance Corporation*".

Articles 51 and 59 of the KHFC Act prescribe the financial support to be provided to KHFC by the Government. Article 51 provides that the Government will, at the end of KHFC's fiscal year, cover any losses incurred by KHFC and not otherwise covered by other financial reserves of KHFC in respect of KHFC's core business of acquiring and securitising mortgage loans. Article 59 of the KHFC Act separately covers losses arising from the HFCGF which supports KHFC's credit guarantee business and RMGA. For further information in respect of KHFC, see "*Korea Housing Finance Corporation*".

Article 31 of the KHFC Act authorises KHFC to issue mortgage-backed bonds that are secured by mortgage loans acquired from financial institutions. Mortgage-backed bonds are recourse obligations of KHFC that are secured by mortgage loans owned by KHFC. Article 31 further provides that the holders of mortgage-backed bonds will have a priority right of payment in respect of mortgage loans held by KHFC to secure mortgage-backed bonds. In order to establish the priority claim of mortgage-backed bondholders, Article 30 of the KHFC Act requires KHFC to: (a) physically separate the Mortgage Loans from KHFC's other assets; and (b) separately manage the Mortgage Loans according to a securitisation plan. The KHFC Act further requires that the plan for holding mortgage loans that will secure an issuance of mortgage-backed bonds (referred to in Article 23 as a "**mortgage securitisation plan**") must be registered with the FSC.

GENERAL DESCRIPTION OF THE PROGRAMME

The following description should be read as an introduction to, in conjunction with, and is qualified in its entirety by, the more detailed information that appears elsewhere in this Offering Circular, including the Issuer's audited financial statements for the years 31 December 2023 and 2024, prepared in accordance with Korean IFRS.

See "*Risk Factors*" for a discussion of certain factors that should be considered in connection with an investment in the Covered Bonds. Any decision to invest in the Covered Bonds should be based on the consideration of this Offering Circular as a whole, together with the relevant Pricing Supplement. Words and expressions defined elsewhere in this Offering Circular shall have the same meanings in this general description of the Programme.

Issuer Overview

KHFC was established in March 2004 as a quasi-sovereign entity pursuant to the KHFC Act in order to promote the welfare of people in Korea and the development of the national economy by providing a stable source of housing finance.

KHFC's primary business consists of securitisation of mortgage loans which it purchases from Korean mortgage lenders in order to facilitate the supply of housing finance on a long-term and stable basis. Since its inception, KHFC has facilitated the provision by Korean mortgage lenders of long-term fixed rate mortgage loans ("**FRMs**") by executing 479 domestic mortgage-backed securities ("**MBS**") transactions with such mortgage loans as underlying assets. The principal amount of such transactions totalled over Won 413.6 trillion as at 31 December 2024. In 2024 alone, KHFC provided over Won 16.4 trillion in loans. KHFC is the largest originator of MBS in the Korean domestic securitisation market. As a Government-controlled entity, KHFC does not seek to maximise profits from its operations but rather seeks to maintain an overall level of profitability that allows it to strengthen its capital base in order to support its business. This approach also serves the public policy goals for which it was established.

The main loan products provided by KHFC, or provided by participating lenders and funded by KHFC, are fixed rate mortgage loans with a maturity of up to 30 years (the "**KHFC Mortgage Loans**"). KHFC Mortgage Loans are intended to reduce the repayment burden of borrowers by offering a long-term fixed rate of interest when compared with many other types of mortgage loan products available in Korea. As described in further detail below, KHFC Mortgage Loans are issued on different terms and in different forms.

The KHFC Act authorises KHFC to issue "**mortgage-backed bonds**". Unlike traditional MBS, these are dual-recourse obligations which represent both:

(a) a claim on the general assets of KHFC; and

(b) a priority claim on the residential mortgage loans which are designated to secure payment of the mortgage-backed bonds, and which are managed separately from the other assets of KHFC.

The Covered Bonds have been designed to satisfy the requirements of the KHFC Act in relation to mortgage-backed bonds and, as such, to benefit from certain protections offered by the KHFC Act.

The terms of the KHFC Act further provide that the Government will cover any losses of KHFC that are not otherwise covered by reserves of KHFC maintained pursuant to the KHFC Act. KHFC is also authorised to borrow from the Government under certain circumstances. While the Covered Bonds are not guaranteed by the Government, this commitment from the Government may support the ability of KHFC to pay interest on and repay the principal of the Covered Bonds.

In addition to purchasing and securitising residential mortgage loans, KHFC is engaged in two other related but separately funded and managed businesses. KHFC manages the Housing Finance Credit Guarantee Fund (the "**HFCGF**"), which is the source of (a) credit guarantees to financial institutions engaged in providing housing loans to homeowners or tenants and construction loans to small-sized home builders and (b) credit guarantees to financial institutions engaged in lending reverse mortgage loans to senior citizens. The credit guarantees support the obligations of eligible home buyers and tenants under mortgage loans obtained from financial institutions other than KHFC (the "**Credit Guarantees**"). Similarly, the home builder guarantees provide support for the payment obligations of home builders to financial institutions providing construction loans to them. Under the reverse mortgage loan programme, the HFCGF provides guarantees to other financial institutions in respect of the repayment obligations of borrowers who are eligible senior citizens under reverse mortgage loans, which represents a form of retirement financing (the "**Reverse Mortgage Guarantees**"). Since its inception, KHFC has provided guarantees amounting to approximately Won 1,720 trillion as at 31 December 2024.

The financial accounting for the Credit Guarantee and the Reverse Mortgage Guarantee businesses are entirely separate from KHFC's financial accounting in respect of its mortgage loan purchasing and securitisation operations. In addition, the Credit Guarantee business is funded from the assets of the HFCGF and not from KHFC's core mortgage loan acquisition and securitisation business. The Reverse Mortgage Guarantee business is funded from the reverse mortgage guarantee account of the HFCGF (the "**RMGA**"). Accordingly, losses in any one of these businesses will not be attributable to either of the other two. In addition, the Government provides separate support to the HFCGF in respect of certain losses incurred by the Credit Guarantee and the Reverse Mortgage Guarantee businesses that are not otherwise covered by reserves of the HFCGF and the RMGA, respectively.

KHFC also has an additional public policy role which involves it acting to stabilise the Korean mortgage market by acquiring mortgage loans, including KHFC Mortgage Loans, from other Korean financial institutions.

As of the date of this Offering Circular, KHFC has received the foreign currency, long-term issuer credit ratings of "AA" from S&P, "Aa2" from Moody's and "AA-" from Fitch Ratings Inc.

The legal name of the Issuer is Korea Housing Finance Corporation. The Issuer's office is located at BIFC 40, Munhyeongeumyung-ro, Nam-gu, Busan 48400, Korea (telephone: + 82 1688 8114).

Structure Overview

- *Programme*: Under the terms of the Programme, the Issuer will issue Covered Bonds on each Issue Date. The Covered Bonds will constitute unsubordinated obligations of the Issuer and rank *pari passu* among themselves. It is the Issuer's intention to use the Programme as a funding platform to issue Covered Bonds pursuant to and in reliance on Rule 144A and Regulation S of the Securities Act.

- *Priority of claims*: By virtue of the priority established by the KHFC Act, the Issuer's obligations to make payments under the Covered Bonds have the benefit of a priority claim on the Mortgage Loans and other assets in a pool of certain security assets (the "**Cover Pool**"). The Priority of Payments in respect of the Cover Pool for the periods (i) prior to the occurrence of an Issuer Event of Default, (ii) following the occurrence of an Issuer Event of Default but prior to the service of an Early Acceleration Notice and (iii) following the occurrence of a Covered Bond Event of Default or the service of an Early Acceleration Notice are each established pursuant to the Programme Deed. See "*Summary of the Principal Documents—The Programme Deed*" and "*Cashflows*". Prior to the occurrence of an Issuer Event of Default, the Issuer may withdraw cash standing to the credit of the Collection Account provided that the conditions to such daily cash release are satisfied. See "*Summary of the Principal Documents—The Programme Deed—The Collection and Application of Cashflow—prior to the occurrence of an Issuer Event of Default*".

- *Single Cover Pool*: All Covered Bonds issued by the Issuer under the Programme have, and will have, the benefit of a statutory preference under the KHFC Act over a single Cover Pool. The Cover Pool from time to time will consist of Mortgage Loans and certain related assets (and, if added by the Issuer to the Cover Pool to satisfy the Pre-Maturity Test, Pre-Maturity Liquidity Assets added to the Pre-Maturity Liquidity Ledger of the Reserve Cash Account and/or of the Reserve Securities Account). The Cover Pool will be established on or about the Issue Date of the initial Series of Covered Bonds.

- *Priority of Payments*: Pursuant to the Programme Deed, the Master Definitions Schedule and the Swap Agreements, the payment claims of certain parties will rank ahead of the claims of other parties, in accordance with the applicable Priority of Payments. In particular, the claims of the Bond Trustee, the Agents, the Asset Monitor, the Servicers, the Back-Up Servicer (if applicable) and in certain cases termination payments due to Swap Providers will rank ahead of the claims of the Covered Bondholders, following the service of an Issuer Default Notice and/or the service of an Early Acceleration Notice on the Issuer.

- *Mortgage Loans*: The Mortgage Loans in the Cover Pool comprise solely of residential mortgage loans secured by a first-ranking priority mortgage, the Obligors of which are not subject to insolvency proceedings and secured over a private residential property located in Korea. In accordance with the internal regulation of KHFC, the Mortgage Loans will be subject to 70% or lower loan-to-value ratio.

- *Bank Accounts*: On or before the Programme Date, the Issuer will open and maintain a Collection Account to deposit collections related to the Cover Pool and a Reserve Cash

Account to deposit, from time to time, amounts of the Reserve Account Target Balance and Pre-Maturity Liquidity Assets in the form of cash related to the Cover Pool, each in the name of the Issuer but indicating the Cover Pool in the account name, and initially established at KEB Hana Bank as the Collection Account Bank (in the case of the Collection Account) and as the Reserve Account Bank (in the case of the Reserve Cash Account). If required pursuant to the Transaction Documents, the Issuer will also open and maintain the following accounts to hold cash and securities: a Reserve Securities Account and one or more Collateral Accounts, each in the name of the Issuer but indicating the Cover Pool in the account name, and established at the Securities Depositary or Euroclear (in the case of the Reserve Securities Account) and at the Collateral Account Custodian Bank (in the case of the Collateral Accounts). If required pursuant to the Transaction Documents, the Issuer will procure the PMT Trustee appointed pursuant to the PMT Trust Agreement to open and maintain the following accounts to hold cash and securities for the purpose of satisfying the Pre-Maturity Test Cure Requirement: a PMT Cash Account and a PMT Securities Account, each in the name of the PMT Trustee but indicating the Cover Pool in the account name, and established at the PMT Account Bank (in the case of the PMT Cash Account) and at the Securities Depositary or Euroclear (in the case of the PMT Securities Account).

- *Collections*: For so long as any Covered Bonds have been issued by the Issuer under the Programme and remain outstanding, collections from the Mortgage Loans in the Cover Pool will be paid into the relevant bank account maintained in the name of the Issuer with the relevant Participating Bank and automatically transferred by the Issuer to the Collection Account on the same day of collection (or if such transfer cannot take place on that day because of administrative or technical reasons, on the next following Seoul Business Day). If the Issuer ceases to have the Approved Ratings or following the occurrence of an Issuer Event of Default, the Asset Monitor will arrange for the Collection Account to be closed and another Won denominated bank account to be opened at the Substitute Account Bank within 30 days of such event. Following the occurrence of certain Bank Termination Events, the Issuer (prior to the occurrence of an Issuer Event of Default) or the Asset Monitor (following the occurrence of an Issuer Event of Default) will open another bank account at another bank. Upon the opening of another bank account to replace the Collection Account, the Issuer (or the Asset Monitor, as the case may be) will send notices to the Bond Trustee, the Swap Providers, the Back-Up Servicer (if appointed), the Servicers, each Participating Bank (if not appointed as a Servicer) and the Rating Agencies, as the case may be, of the details of such bank account to ensure, among other things, the prompt collection of funds.

- *Servicing*: Prior to the occurrence of an Issuer Event of Default, the Issuer will be responsible for ensuring that the Mortgage Loans are properly serviced and may delegate its servicing responsibility to the Participating Banks, with each Participating Bank servicing those Mortgage Loans originated and sold by it to the Issuer. A Back-Up Servicer will be appointed (i) by the Issuer within 90 days of the occurrence of a Back-Up Servicer Trigger Event caused by a ratings downgrade of the Issuer or (ii) by the Asset Monitor as soon as possible following a Back-Up Servicer Trigger Event caused by an Issuer Event of Default or if the Issuer is unable to appoint a Back-Up Servicer within 90 days. Once appointed, the Back-Up Servicer will assume the Issuer's role to provide for the servicing of the Mortgage Loans and may similarly delegate the primary servicing activities to the applicable Participating Banks.

- *Asset Coverage Test*: The Asset Coverage Test is intended to ensure that, prior to the service of an Issuer Default Notice, the value of the Cover Pool is sufficient to make scheduled payments of interest and principal on the Covered Bonds if the Issuer were to default on its payment obligations under the Covered Bonds. For so long as any Covered Bonds have been issued by the Issuer under the Programme and remain outstanding, as of each Calculation Date prior to the occurrence of (a) an Issuer Event of Default or (b) the Calculation Date from which the Amortisation Test is required to be satisfied, the Asset Coverage Test will be performed by the Issuer to confirm if, on each Calculation Date, the Adjusted Aggregate Loan Amount of the Cover Pool will be in an amount at least equal to the Won Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on that Calculation Date. Pursuant to the Programme Deed, the Asset Monitor will test the Issuer's performance of the Asset Coverage Test annually and, in certain circumstances, monthly. Subject as provided in the next sentence, non-compliance with the Asset Coverage Test does not constitute the occurrence of an Issuer Event of Default or a Covered Bond Event of Default, but it will prevent the Issuer from issuing any further Covered Bonds as long as it remains unremedied. Failure by the Issuer to cure a non-compliance with the Asset Coverage Test on or before the second following Calculation Date after such breach will constitute an Issuer Event of Default. See "*Summary of the Principal Documents—The Programme Deed—Asset Coverage Test*".

- *Amortisation Test*: The Amortisation Test is intended to test, on a monthly basis, following the service of an Issuer Default Notice (but prior to the service of an Early Acceleration Notice on the Issuer), the asset coverage of the Cover Pool in respect of the Covered Bonds. The Amortisation Test will be performed by the Asset Monitor to confirm if on each Calculation Date, the Amortisation Test Adjusted Aggregate Loan Amount of the Cover Pool as of such Calculation Date is at least equal to the Won Equivalent of the aggregate Principal Amount Outstanding of all the Covered Bonds as of the Calculation Date immediately precedent that Calculation Date. A failure to bring the Cover Pool into compliance with the Amortisation Test within 30 days of such breach will result in the occurrence of a Covered Bond Event of Default. See "*Summary of the Principal Documents—The Programme Deed—Amortisation Test*".

- *Pre-Maturity Test*: Each Series of Hard Bullet Covered Bonds is subject to the Pre-Maturity Test on each Seoul Business Day during the Pre-Maturity Test Period for that Series of Hard Bullet Covered Bonds prior to the occurrence of an Issuer Event of Default. The Pre-Maturity Test is intended to provide liquidity for such Covered Bonds when the Issuer ceases to have the minimum required ratings applicable to the Pre-Maturity Test (being as of the date of this Offering Circular: (i) a short-term senior unsecured foreign currency issuer credit rating of at least "A-1" by S&P; and (ii) a short-term counterparty risk assessment rating, or, if such short-term counterparty risk assessment rating in respect of the Issuer is not available, a senior unsecured rating or an issuer rating of at least "P-1" by Moody's) within the Pre-Maturity Test Period of such Covered Bonds, where the Issuer is required to add certain Pre-Maturity Liquidity Assets to the Pre-Maturity Liquidity Ledger of the Reserve Cash Account and/or of the Reserve Securities Account, the PMT Cash Account and/or the PMT Securities Account, with the intention that the aggregate Pre-Maturity Liquidity Assets Value on each relevant Pre-Maturity Test Date will at least be equal to the Pre-Maturity Test Cure Requirement. An Issuer Event of Default will occur if

(1) the Pre-Maturity Test in respect of any Series of Hard Bullet Covered Bonds is breached during the Pre-Maturity Test Period of such Series of Hard Bullet Covered Bonds and the Issuer does not add Pre-Maturity Liquidity Assets to the Pre-Maturity Liquidity Ledger of the Reserve Cash Account and/or of the Reserve Securities Account, the PMT Cash Account and/or the PMT Securities Account with a Pre-Maturity Liquidity Assets Value at least equal to the Series Required Redemption Amount on or before the Series Required Redemption Amount Cut-off Date, except where the Pre-Maturity Test Cure Requirement is satisfied in respect of all Series of Hard Bullet Covered Bonds which are scheduled to mature within 12 months of such Pre-Maturity Test Date on or prior to the Series Required Redemption Amount Cut-off Date, or (2) in relation to all PMT Ongoing Test Series, the Issuer fails to add Pre-Maturity Liquidity Assets to the Pre-Maturity Liquidity Ledger of the Reserve Cash Account and/or of the Reserve Securities Account, the PMT Cash Account and/or the PMT Securities Account with a Pre-Maturity Liquidity Assets Value at least equal to the PMT Shortfall Amount (if any) in respect of a PMT Shortfall Valuation Date on or before the immediately succeeding PMT Shortfall Valuation Date, except where the Pre-Maturity Test Cure Requirement is satisfied on any Pre-Maturity Test Date during the period from the date of determination of such PMT Shortfall Amount to (and including) such immediately succeeding PMT Shortfall Valuation Date. See "*Summary of the Principal Documents—The Programme Deed—Pre-Maturity Liquidity*".

- *Reserve Cash Account*: If the Issuer ceases to have the minimum required ratings for the purpose of the Reserve Account Target Balance (being as of the date of this Offering Circular: (i) a long-term senior unsecured foreign currency issuer credit rating of at least "A" by S&P; and (ii) a long-term senior unsecured foreign currency issuer credit rating of at least "A2" by Moody's), the Issuer will be required to fund the Reserve Ledger of the Reserve Cash Account with the Reserve Account Target Balance. See "*Credit Structure—Reserve Cash Account*".

- *Issuer Event of Default*: The Issuer Events of Default are set out in Condition 9.1 (*Issuer Events of Default*). Following the occurrence of an Issuer Event of Default, pursuant to the terms of the KHFC Act and the Programme Deed, neither the Mortgage Loans, the collections of principal and interest thereon nor any other assets in the Cover Pool will be available to the creditors of KHFC which are unconnected with the issuance of any Series of Covered Bonds. The Asset Monitor will have the right to apply the cashflows generated by the Mortgage Loans and to dispose of the Mortgage Loans in order to facilitate the payment of specific expenses relating to the issuance of the Covered Bonds and scheduled payment of interest and repayments of principal of the Covered Bonds.

- *Covered Bond Event of Default*: The Covered Bond Events of Default are set out in Condition 9.2 (*Covered Bond Events of Default*). If a Covered Bond Event of Default occurs and the Bond Trustee serves a Covered Bond Acceleration Notice on the Issuer, all Covered Bonds will immediately become due and repayable at their Early Redemption Amount (if applicable) and all Swaps will terminate. In addition, pursuant to the terms of the KHFC Act and the Programme Deed, neither the Mortgage Loans, the collections of principal and interest thereon nor any other assets in the Cover Pool will be available to the creditors of KHFC which are unconnected with the issuance of any Series of Covered Bonds. The Asset

Monitor will apply the cashflows generated by the Mortgage Loans and dispose of the Mortgage Loans that are Cover Pool Assets, to the extent not already disposed of following the occurrence of an Issuer Event of Default, in order to facilitate the payment of interest on and the repayment of principal of the Covered Bonds.

- *Application and Disposal of the Cover Pool Assets*: Following the occurrence of an Issuer Event of Default, the Back-up Servicer or the Asset Monitor (if the Back-up Servicer has not been appointed) shall send re-direction notices to the Borrowers of the KHFC Serviced Mortgage Loans that are the Cover Pool Assets to require them to make payments to the Collection Account directly. Pursuant to the Programme Deed, the Asset Monitor may also manage, maintain and/or dispose of the Cover Pool Assets (including managing amounts receivable and payable in respect of the Cover Pool or the Priority of Payment) following an Issuer Event of Default.

- *Covered Bond Swaps*: The Issuer will, in respect of each Series of Covered Bonds, enter into a Swap Agreement with one or more Swap Providers, and enter into one or more Swaps in relation to such Series or Tranche (as applicable) of Covered Bonds at the time such Covered Bonds are issued. Such Swap(s) will be entered into to provide a hedge against certain currency risks in respect of amounts received by the Issuer under the Mortgage Loans and amounts payable by the Issuer under the Covered Bonds of that Series. Under the Swap(s) on the relevant Issue Date, the Issuer will pay to the relevant Swap Provider the net amount received by the Issuer in respect of the issue of the relevant Series or Tranche, as applicable, of Covered Bonds, and in return the relevant Swap Provider will pay an amount equal to the Won Equivalent of the applicable issue proceeds. Thereafter the relevant Swap Provider will pay to the Issuer on or immediately prior to each Interest Payment Date amounts equivalent to the amounts that would be payable by the Issuer in respect of interest and principal payable under the relevant Series or Tranche of Covered Bonds. In return, the Issuer will pay to the relevant Swap Provider on each Interest Payment Date an amount in Won calculated by reference to the relevant interest rate determined for the relevant Interest Period in accordance with the Swap and the Won Equivalent of any principal due in respect of the relevant Series or Tranche of Covered Bonds.

- *Swap Collateral*: Each Swap in respect of a Series of Covered Bonds will be entered into between the relevant Swap Provider and the Issuer under the relevant Swap Agreement between such parties. Any collateral (both cash and securities) posted by the relevant Swap Provider to the Issuer under such Swap Agreement shall be held in the Collateral Accounts with the Collateral Account Custodian Bank.

- *Swap Novation*: Upon the delivery of an Issuer Default Notice by the Bond Trustee to the Issuer (a "**Swap Novation Event**"), the rights and obligations of the Issuer under the cross-currency swap transactions governed by the Swap Agreements will be automatically transferred by novation to the Swap Delegate (such date of occurrence being the "**Swap Novation Date**") under the terms of each Swap Agreement and each Novation Agreement. The Novated Swap Agreements will become automatically effective, without any further action being necessary by any party thereto on the Swap Novation Date, and the Novated Swap Agreements shall replace the Swap Agreements.

- *Risk Factors*: An investment in the Covered Bonds involves a degree of risk. Prospective investors should carefully consider the risks set forth under "*Risk Factors*" and the other information contained in this Offering Circular prior to making any investment decision with respect to the Covered Bonds. The risks described under "*Risk Factors*" could have a material adverse effect on the Issuer's ability to fulfil its obligations under the Covered Bonds. Additional risks and uncertainties, including those of which the Issuer's management is not currently aware or currently deems immaterial, may also potentially have an adverse effect on the Issuer's ability to fulfil its obligations under the Covered Bonds or may result in other events that could cause investors to lose all or part of their investment.

- *Further information*: For a more detailed description of the transactions summarised above relating to the Covered Bonds see, amongst other relevant sections of this Offering Circular, "Terms and Conditions of the Covered Bonds", "The Korean Residential Mortgage Industry" and "Summary of the Principal Documents" below.

FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Covered Bonds issued under the Programme.

[MiFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")][MiFID II]; and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Covered Bonds (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.

UK MiFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Covered Bonds has led to the conclusion that: (i) the target market for the Covered Bonds is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Covered Bonds to eligible counterparties and professional clients are appropriate. [Consider any negative target market.] Any person subsequently offering, selling or recommending the Covered Bonds (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Covered Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[PRIIPs REGULATION—PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [MiFID II]/[Directive 2014/65/EU] (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II[.]/[; or] [(iii) not a qualified investor as defined in Regulation (EU) 2017/1129 ([as amended, the "**Prospectus Regulation**"]).] Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

UK PRIIPs REGULATION—PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Covered Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the [United Kingdom ("**UK**")]/[UK]. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA[.]/[; or] [(iii) not a qualified investor as defined in Article 2 of the [Prospectus Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**")]][1].

Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Covered Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Covered Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

[Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")—the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Covered Bonds are [prescribed capital markets products [OR] capital markets products other than prescribed capital markets products] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and [Excluded Investment Products [OR] Specified Investment Products] (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).][2]

[Date]

KOREA HOUSING FINANCE CORPORATION

Issue of [Aggregate Nominal Amount of Tranche] [Title of Covered Bonds] under the U.S.$15,000,000,000 Global Covered Bond Programme

Part A—Contractual Terms

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 15 July 2025 [and the supplement[s] to the Offering Circular dated [date]], which [together] constitute[s] the Offering Circular. This document constitutes the

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1 Legend to be included on front of the pricing supplement if the Covered Bonds potentially constitute "packaged" products or the issuer wishes to prohibit offers to EEA or UK retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

2 To be included where sales in Singapore to investors other than "institutional investors" or "accredited investors" are allowed. The Issuer shall determine the classification of the Covered Bonds pursuant to Section 309B of the SFA prior to the launch of the offer.

Pricing Supplement relating to the issue of the Covered Bonds described herein and contains the final terms of the Covered Bonds and must be read in conjunction with the Offering Circular [as so supplemented].

The Covered Bonds have not been registered with the Financial Services Commission of Korea under the Financial Investment Services and Capital Markets Act of Korea. Accordingly, the Covered Bonds may not be offered, delivered, or sold, directly or indirectly, in the Republic of Korea ("**Korea**") or to any resident of Korea (as defined in the Foreign Exchange Transaction Act of Korea and the rules and regulations promulgated thereunder) or to others for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except as otherwise permitted under applicable Korean laws and regulations.

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.*]

1	Issuer:	Korea Housing Finance Corporation
2	(i) Series Number:	[●]
	(ii) Tranche Number:	[●] *(If fungible with an existing Series, series number, tranche number, issue date and the date on which the Covered Bonds become fungible to be specified)*
3	Specified Currency or Currencies:	[●]
4	Aggregate Nominal Amount:	
	(i) Series:	[●]
	(ii) Tranche:	[●]
5	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*if applicable*)]
6	(i) Specified Denominations:	[●] (*No Covered Bonds may be issued which have a minimum denomination of less than U.S.$200,000 (but so that in no event will the minimum denomination be lower than €100,000 or its equivalent at the date of issue of the relevant Covered Bonds) and integral multiples of U.S.$1,000*)
	(ii) Calculation Amount:	[●]

7	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date (if different from the Issue Date):	[●]
		(a) Period to Maturity Date:	[●]
		(b) Period from Maturity Date up to Extended Maturity Date:	[Not Applicable] [*specify period*]
8	(i)	Maturity Date:	[*Fixed rate—specify date/Floating Rate*— Interest Payment Date falling in or nearest to [*specify month and year*]]
	(ii)	Extended Maturity Date:	[Applicable/Not Applicable] [The Extended Maturity Date is [*insert date*]][3] (*If an Extended Maturity Date is specified hereon as applicable and if the Issuer fails to redeem all of the relevant Series of Covered Bonds in full on the Maturity Date or within 10 days thereafter, the maturity of the Covered Bonds and the date on which such Covered Bonds will be due and payable for the purposes of the Conditions will be automatically extended up to but no later than the Extended Maturity Date, subject as otherwise provided hereon. See Conditions 4.12 and 6.2.*)
9	Interest Basis:		
	(i)	Period to (and including) Maturity Date:	[[●] per cent. Fixed Rate] [[EURIBOR/HIBOR/SONIA/SORA/SOFR Benchmark] +/- [●] per cent. Floating Rate] [Zero Coupon] (further particulars specified below)
	(ii)	Period from (but excluding) Maturity Date up to (and including) Extended Maturity Date:	[[EURIBOR/HIBOR/SONIA/SORA/SOFR Benchmark] +/- [●] per cent. Floating Rate] [Zero Coupon] (further particulars specified below)
10	Redemption/Payment Basis:		Redemption at par
11	Change of Interest Basis:		[*Specify the date when any fixed to floating rate change occurs or refer to paragraphs 14 and 15 below if details are included there*]
12	Method of distribution:		[Syndicated/Non-syndicated]

[3] If applicable, the date should be that falling one year after the Maturity Date. If not applicable, insert "Not Applicable."

13	Prohibition of Sales to EEA Retail Investors:	[Applicable/Not Applicable] [*If the Covered Bonds clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Covered Bonds may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified*]
14	Prohibition of Sales to UK Retail Investors:	[Applicable/Not Applicable] [*If the Covered Bonds clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Covered Bonds may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified*]

Provisions Relating to Interest (if any) Payable

15	Fixed Rate Covered Bond Provisions	
	(i) To Maturity Date:	[Applicable/Not Applicable] (*If the above is not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(ii) Rate(s) of Interest:	[●] per cent. per annum [payable [annually/ semi-annually/ quarterly] in arrear]
	(iii) Interest Payment Date(s):	[●] in each year up to and including the Maturity Date/[*specify other*] (N.B. This will need to be amended in the case of long or short coupons)
	(iv) Fixed Coupon Amount(s):	[●] per Calculation Amount
	(v) Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
	(vi) Day Count Fraction:	[Actual/Actual (ICMA) or 30/360 or [specify other]]
	(vii) Determination Date(s):	[●] in each year [*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon* *N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration* *N.B. Only relevant where Day Count Fraction is Actual/ Actual (ICMA)*]

(viii)	Other terms relating to the method of calculating interest for Fixed Rate Covered Bonds:	[None/*Give details*]
16	Floating Rate Covered Bond Provisions	
(i)	To Maturity Date:	[Applicable/Not Applicable]
(ii)	From Maturity Date up to Extended Maturity Date:	[Applicable/Not Applicable] (*If (i) and (ii) above are not applicable, delete the remaining sub-paragraphs of this paragraph*)
(iii)	Interest Period(s)/Specified Interest Payment Dates:	
	(a) To Maturity Date:	[Not Applicable] [●] [in each case subject to adjustment in accordance with the Business Day Convention]
	(b) From Maturity Date up to Extended Maturity Date:	[Not Applicable] [●] [in each case subject to adjustment in accordance with the Business Day Convention]
(iv)	Business Day Convention:	
	(a) To Maturity Date:	[Not Applicable] [Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[*specify other*]]
	(b) From Maturity Date up to Extended Maturity Date:	[Not Applicable] [Floating Rate Business Day Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[*specify other*]]
(v)	Business Centre(s):	
	(a) To Maturity Date:	[Not Applicable] [●]
	(b) From Maturity Date up to Extended Maturity Date:	[Not Applicable] [●]
(vi)	Manner in which the Rate of Interest and Interest Amount is to be determined:	
	(a) To Maturity Date:	[Screen Rate Determination/ISDA Determination/ [*specify other*]]
	(b) From Maturity Date up to Extended Maturity Date:	[Not Applicable] [Screen Rate Determination/ ISDA Determination/[*specify other*]]

(vii)	Party responsible for calculating the Rate of Interest and Interest Amount (if not the Calculation Agent):	
	(a) To Maturity Date:	[Not Applicable] [●]
	(b) From Maturity Date up to Extended Maturity Date:	[Not Applicable] [●]
(viii)	Screen Rate Determination:	
	(a) To Maturity Date:	[Not Applicable] [●]
	—Reference Rate:	[●] (*Either EURIBOR, SOFR Benchmark or other,—although additional information is required if other—including the fallback provisions in the Conditions*)
	—Interest Determination Date(s):	[●] (*Second day on which T2 is open prior to the start of each Interest Period if EURIBOR*)
	—Relevant Screen Page:	[●] (*In the case of EURIBOR, if not Reuters Page EURIBOR01 (or any successor page), ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
	—SOFR Benchmark:	[Not Applicable/Compounded Daily SOFR/ SOFR Index] (Only applicable where the Reference Rate is SOFR)
	—Compounded Daily SOFR:	[Not Applicable/SOFR Lag/SOFR Observation Shift] (Only applicable in the case of Compounded Daily SOFR)
	—Lookback Days:	[Not Applicable/[●] U.S. Government Securities Business Day(s)] (Only applicable in the case of SOFR Lag)
	—SOFR Observation Shift Days:	[Not Applicable/[●] U.S. Government Securities Business Day(s)] (Only applicable in the case of SOFR Observation Shift or SOFR Index)
	—SOFR $\text{Index}_{\text{Start}}$:	[Not Applicable/[●] U.S. Government Securities Business Day(s)] (Only applicable in the case of SOFR Index)
	—SOFR $\text{Index}_{\text{End}}$:	[Not Applicable/[●] U.S. Government Securities Business Day(s)] (Only applicable in the case of SOFR Index)

(b)	From Maturity Date up to Extended Maturity Date:	[Not Applicable]
	—Reference Rate:	[●] (*Either EURIBOR, SOFR Benchmark or other,—although additional information is required if other—including the fallback provisions in the Conditions*)
	—Interest Determination Date(s):	[●] (*Second day on which T2 is open prior to the start of each Interest Period if EURIBOR*)
	—Relevant Screen Page:	[●] (*In the case of EURIBOR, if not Reuters Page EURIBOR01 (or any successor page), ensure it is a page which shows a composite rate or amend the fallback provisions appropriately*)
	—SOFR Benchmark:	[Not Applicable/Compounded Daily SOFR/ SOFR Index] (Only applicable where the Reference Rate is SOFR)
	—Compounded Daily SOFR:	[Not Applicable/SOFR Lag/SOFR Observation Shift] (Only applicable in the case of Compounded Daily SOFR)
	—Lookback Days:	[Not Applicable/[●] U.S. Government Securities Business Day(s)] (Only applicable in the case of SOFR Lag)
	—SOFR Observation Shift Days:	[Not Applicable/[●] U.S. Government Securities Business Day(s)] (Only applicable in the case of SOFR Observation Shift or SOFR Index)
	—SOFR $\text{Index}_{\text{Start}}$:	[Not Applicable/[●] U.S. Government Securities Business Day(s)] (Only applicable in the case of SOFR Index)
	—SOFR $\text{Index}_{\text{End}}$:	[Not Applicable/[●] U.S. Government Securities Business Day(s)] (Only applicable in the case of SOFR Index)
(ix)	ISDA Determination	
(a)	To Maturity Date:	[Not Applicable]
	— Floating Rate Option:	[●]
	— Designated Maturity:	[●]
	— Reset Date:	[●]

(b)	From Maturity Date up to Extended Maturity Date:	[Not Applicable]
	— Floating Rate Option:	[●]
	— Designated Maturity:	[●]
	— Reset Date:	[●]
(x)	Margin(s):	
(a)	To Maturity Date:	[Not Applicable] [+/-][●] per cent. per annum
(b)	From Maturity Date up to Extended Maturity Date:	[Not Applicable] [+/-][●] per cent. per annum
(xi)	Minimum Rate of Interest:	
(a)	To Maturity Date:	[Not Applicable] [●] per cent. per annum
(b)	From Maturity Date up to Extended Maturity Date:	[Not Applicable] [●] per cent. per annum
(xii)	Maximum Rate of Interest:	
(a)	To Maturity Date:	[Not Applicable] [●] per cent. per annum
(b)	From Maturity Date up to Extended Maturity Date:	[Not Applicable] [●] per cent. per annum
(xiii)	Day Count Fraction:	
(a)	To Maturity Date:	[Not Applicable] [Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 *Other*]
(b)	From Maturity Date up to Extended Maturity Date:	[Not Applicable] [Actual/365 (Fixed) Actual/365 (Sterling) Actual/360 30/360 30E/360 Other] (*See Condition 4(h) for alternatives*)
(xiv)	Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Covered Bonds, if different from those set out in the Conditions:	
(a)	To Maturity Date:	[Not Applicable] [●]

	(b) From Maturity Date up to Extended Maturity Date:	[Not Applicable] [●]
	(xv) Benchmark Replacement (SOFR)	[Applicable/Not Applicable]
17	Zero Coupon Covered Bond Provisions:	[Applicable / Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i) Amortisation Yield:	[●]% per annum / [As per the Conditions]
	(ii) Any other formula/basis of determining amount payable:	[●]

Provisions Relating to Redemption

18	Final Redemption Amount of each Covered Bond:	[●] per Calculation Amount
19	Early Redemption Amount	[●]
	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions):	

General Provisions Applicable to the Covered Bonds

20	Form of Covered Bonds:	
	Form:	[Bearer Covered Bonds: Temporary Global Covered Bond exchangeable for a Permanent Global Covered Bond which is exchangeable for Definitive Bearer Covered Bonds in the limited circumstances specified in the Permanent Global Covered Bond] [Permanent Global Covered Bond exchangeable for Definitive Covered Bonds in the limited circumstances specified in the Permanent Global Covered Bond] [Registered Covered Bonds: [Unrestricted Global Certificate registered in the name of a nominee for [DTC/a Common Depositary for Euroclear and Clearstream, Luxembourg]/[the CMU]] [Restricted Global Certificate registered in the name of a nominee for [DTC/a Common Depositary for Euroclear and Clearstream, Luxembourg]/[the CMU]]

21	Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/*give details*] (*Note that this item relates to the place of payment, and not Interest Period end dates to which item 15(iii) relates*)
22	Talons for future Coupons to be attached to Definitive Covered Bonds (and dates on which such Talons mature):	[Yes/No. *If yes, give details*]
23	U.S. Selling Restrictions:	[Reg. S Compliance Category [1/2]/Rule 144A/ TEFRA D/TEFRA C/TEFRA not applicable]
24	Additional U.S. federal income tax considerations:	[Not Applicable/*give details*]
25	Calculation Agent:	[●]
26	Hong Kong Securities and Futures Commission Code of Conduct	
	(i) Rebates:	[A rebate of [●] bps is being offered by the [Issuer] to all private banks for orders they place (other than in relation to Covered Bonds subscribed by such private banks as principal whereby it is deploying its own balance sheet for onward selling to investors), payable upon closing of this offering based on the principal amount of the Covered Bonds distributed by such private banks to investors. Private banks are deemed to be placing an order on a principal basis unless they inform the CMIs otherwise. As a result, private banks placing an order on a principal basis (including those deemed as placing an order as principal) will not be entitled to, and will not be paid, the rebate.] / [Not Applicable]
	(ii) Contact email addresses of the Overall Coordinators where underlying investor information in relation to omnibus orders should be sent:	[*Include relevant contact email addresses of the Overall Coordinators where the underlying investor information should be sent – OCs to provide*] / [Not Applicable]
	(iii) Marketing and Investor Targeting Strategy:	[As indicated in the Offering Circular / *describe if different from the programme OC*]

[LISTING APPLICATION

This Pricing Supplement comprises the final terms required to list the issue of Covered Bonds described herein pursuant to the U.S.$15,000,000,000 Global Covered Bond Programme of Korea Housing Finance Corporation.

The Singapore Exchange Securities Trading Limited (the "SGX-ST") assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Pricing Supplement. Approval in-principle from, admission to the Official List of, and listing and quotation of the Covered Bonds on, the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Programme or the Covered Bonds.]

[Application will be made to / Application has been made to / Approval in-principle has been received from] the SGX-ST for the Covered Bonds to be recognised under the SGX Sustainable Fixed Income initiative on the SGX-ST. There is no guarantee that such application for recognition under the SGX Sustainable Fixed Income initiative will be approved. Recognition under the SGX Sustainable Fixed Income initiative does not guarantee that the Covered Bonds will satisfy any investor's expectations or requirements on its sustainability-related performance or impact. If approved, the SGX-ST may remove the recognition from the Covered Bonds at its discretion. The latest list of fixed income securities that have been granted recognition under the SGX Sustainable Fixed Income initiative is available at the SGX-ST's website.][4]

Responsibility

[[●] has been extracted from [●]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: [●]

Duly authorised

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4 For SGX-ST listing: To include this paragraph if the Covered Bonds are green/social/sustainability Covered Bonds and the Issuer intends to apply for recognition under the SGX Sustainable Fixed Income initiative.

Part B—Other Information

1	Listing and Admission to Trading:	
	(a) Listing and Admission to trading:	[[Application will be made to / Application has been made to / Approval in-principle has been received from] the SGX-ST for the listing and quotation of the Covered Bonds on the SGX-ST.][5] [Not applicable] [[Application will be made to / Application has been made to / Approval in-principle has been received from] the SGX-ST for the Covered Bonds to be recognised under the SGX Sustainable Fixed Income initiative on SGX-ST. There is no guarantee that such application for recognition under the SGX Sustainable Fixed Income initiative will be approved. Recognition under the SGX Sustainable Fixed Income initiative does not guarantee that the Covered Bonds will satisfy any investor's expectations or requirements on its sustainability-related performance or impact. If approved, the SGX-ST may remove the recognition from the Covered Bonds at its discretion. The latest list of fixed income securities that have been granted recognition under the SGX Sustainable Fixed Income initiative is available at the SGX-ST's website.][6]
	(b) Estimate of total expenses related to admission to trading:	[●]
2	Use of proceeds:	[●] / See "Use of Proceeds" section in the Offering Circular.
3	Ratings	
	Ratings:	[The Covered Bonds to be issued [have been]/ [are expected to be] assigned the following rating: [S&P: [●]] [Moody's: [●]] The Covered Bonds to be issued have not been assigned any rating.]

5 For SGX-ST listing: For drawdowns based on the Offering Circular dated 15 July 2025, please note that if the Issuer's audited financials for FY2025 have since become available, this should be appended in full to the pricing supplement.

6 For SGX-ST listing: To include this paragraph if the Covered Bonds are green/social/sustainability Covered Bonds and the Issuer intends to apply for recognition under the SGX Sustainable Fixed Income initiative.

4 Interests of Natural and Legal Persons involved in the Issue

[Save for any fees payable to the [Arranger/Dealers], so far as the Issuer is aware, no person involved in the issue of the Covered Bonds has an interest material to the offer.] [The [Arranger/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.] (*Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest.*)

5 Yield to Maturity Date (Fixed Rate Covered Bonds only)

Indication of yield:	[●] [Not applicable]

6 Provisions Relating to Green Bonds, Social Bonds or Sustainability Bonds

(a)	Green Bonds:	[Yes/No]
(b)	Social Bonds:	[Yes/No]
(c)	Sustainability Bonds:	[Yes/No]
(d)	[Reviewer(s):]	[*Name of sustainability rating agency(ies) and name of third-party assurance agent] and [give details of compliance opinion (s) and availability]*]

7 Operational Information

(a)	ISIN Code:	[●] [The temporary ISIN code is [●]. After the Exchange Date, the ISIN code will be [●]]
(b)	Common Code:	[●] [The temporary Common Code is [●]. After the Exchange Date, the Common Code will be [●].]
(c)	CMU Instrument No.:	[●]
(d)	CUSIP:	[●]
(e)	LEI:	9884002AAOBT56QW9B80
(f)	Any clearing system(s) other than DTC, Euroclear and Clearstream, Luxembourg, the CMU and the relevant identification number(s):	[Not Applicable/[●] [*address*]] [(Name and Address)]
(g)	Delivery:	Delivery [against/free of] payment
(h)	Names and addresses of additional Paying Agent(s) (if any):	[●]

TERMS AND CONDITIONS OF THE COVERED BONDS

The following is the text of the terms and conditions of the Covered Bonds (the "Conditions") that, save for the words in italics and subject to completion and amendment and as supplemented and varied in accordance with the provisions of Part A of the applicable Pricing Supplement, shall be applicable to the Covered Bonds in definitive form (if any) issued in exchange for the Global Covered Bond(s) or Global Certificates(s) representing each Series. Either (i) the full text of these Conditions together with the relevant provisions of Part A of the Pricing Supplement or (ii) these Conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Covered Bonds or on the Certificates relating to such Registered Covered Bonds. All capitalised terms that are not defined in these Conditions will have the meanings given to them in Part A of the applicable Pricing Supplement or the Master Definitions Schedule, as the case may be. Those definitions will be endorsed on the Definitive Covered Bonds or Certificates, as the case may be. References in these Conditions to "Covered Bonds" are to the Covered Bonds of one Series only, not to all Covered Bonds that may be issued under the Programme, unless otherwise provided.

The Covered Bonds (the "**Covered Bonds**") of Korea Housing Finance Corporation ("**KHFC**" or the "**Issuer**") are constituted by a trust deed (as amended and/or supplemented and/or restated from time to time, the "**Bond Trust Deed**") dated 1 July 2022 (the "**Programme Date**") made between the Issuer and Citicorp International Limited as bond trustee (in such capacity, the "**Bond Trustee**", which expression shall include any successor bond trustee).

The Covered Bonds have the benefit of an agency agreement (such agency agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated the Programme Date and made between the Issuer, the Bond Trustee, Citibank, N.A., London Branch as issuing and paying agent (the "**Issuing and Paying Agent**", which expression shall include any successor agent), as calculation agent (the "**Calculation Agent**", which expression shall include any successor calculation agent) and as transfer agent and the other transfer agents named therein (together with the Registrar, the "**Transfer Agents**", which expression shall include any additional or successor transfer agents) and Citicorp International Limited as CMU lodging and paying agent (the "**CMU Lodging and Paying Agent**", which expression shall include any successor agent, and together with the Issuing and Paying Agent, the "**Paying Agents**" and each a "**Paying Agent**") and as bond registrar (the "**Registrar**", which expression shall include any successor registrar). For the purposes of these Conditions, all references to the Issuing and Paying Agent shall, with respect to a Series of Covered Bonds to be held in the CMU, be deemed to be a reference to the CMU Lodging and Paying Agent and all such references shall be construed accordingly.

The Bond Trustee acts for the benefit of the holders for the time being of the Covered Bonds of the relevant Series (the "**Covered Bondholders**"), which expression shall, in relation to any Covered Bonds represented by a Global Certificate, be construed in accordance with Condition 1 and in accordance with the provisions of the Bond Trust Deed. The Covered Bondholders and the holders of the interest coupons (the "**Coupons**") relating to interest bearing Covered Bonds in bearer form and, where applicable in the case of such Covered Bonds, talons for further Coupons (the "**Talons**") (the "**Couponholders**") are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of, and definitions contained in, the Bond Trust Deed and are deemed to have notice of those provisions of the Agency Agreement, the Master Definitions Schedule and each of the other Transaction Documents which are applicable to them.

These Conditions include summaries of, and are subject to, the provisions of the Bond Trust Deed and the Agency Agreement.

Copies of the Bond Trust Deed, the Master Definitions Schedule (as defined below), the Agency Agreement and each of the other Transaction Documents are available for inspection during normal business hours at the registered office for the time being of the Bond Trustee, being at 40/F Champion Tower, Three Garden Road, Central, Hong Kong and at the specified office of each of the Paying Agents.

Except where the context otherwise requires, capitalised terms used and not otherwise defined in these Conditions shall bear the meanings given to them in the master definitions schedule signed by all the parties to the Transaction Documents for the purpose of identification on 28 June 2022 (such master definitions schedule as amended and/or supplemented and/or restated from time to time, the "**Master Definitions Schedule**"), a copy of which may be inspected as described above and the other provisions of the Master Definitions Schedule shall apply to these Conditions.

1 FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Covered Bonds are issued in bearer form or in registered form, in each case in the specified denomination(s) shown in the applicable Pricing Supplement (the "**Specified Denomination**"). References in these Conditions to "Covered Bonds" are to Bearer Covered Bonds and Registered Covered Bonds collectively, or to the Bearer Covered Bonds or, as the case may be, the Registered Covered Bonds, as applicable.

The Covered Bonds may be Fixed Rate Covered Bonds or Floating Rate Covered Bonds, depending upon the "Interest Basis" and "Redemption/Payment Basis" shown in the applicable Pricing Supplement.

Bearer Covered Bonds are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached.

Registered Covered Bonds are represented by registered certificates ("**Certificates**") and each Certificate shall represent the entire holding of Registered Covered Bonds by the same holder.

For so long as any of the Covered Bonds are represented by a Global Certificate held on behalf of DTC and/or Euroclear and/or Clearstream and/or the CMU, each person (other than DTC, Euroclear, Clearstream or the CMU) who is for the time being shown in the records of DTC, Euroclear, Clearstream or the CMU as the holder of a particular nominal amount of such Covered Bonds (in which regard any certificate or other document issued by DTC, Euroclear, Clearstream or the CMU as to the nominal amount of such Covered Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Paying Agents and the Bond Trustee as the holder of such nominal amount of such Covered Bonds for all purposes other than with respect to the payment of principal or interest or other amounts on such nominal amount of such Covered Bonds, for which purpose the registered holder of the relevant Global Certificate shall be treated by the Issuer, any Paying Agent and the Bond Trustee as

the holder of such nominal amount of such Covered Bonds in accordance with and subject to the terms of the relevant Global Certificate and the expressions "**Covered Bondholder**" and "**holder of Covered Bonds**" and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Covered Bonds as aforesaid, the Bond Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error or an error established as such to the satisfaction of the Bond Trustee, be conclusive and binding on all concerned.

Covered Bonds which are represented by a Global Certificate will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear, Clearstream, the CMU, or any other relevant clearing system, as the case may be.

References to DTC and/or Euroclear and/or Clearstream and/or the CMU shall, whenever the context so permits, be deemed to include a reference to any successor operator and/or successor clearing system as may otherwise be approved by the Issuer, the Paying Agents and the Bond Trustee.

1.2 Title

Title to the Bearer Covered Bonds and the Coupons and Talons shall pass by delivery. Title to the Registered Covered Bonds shall pass only by registration in the Register (as defined in Condition 5.2). The holder of any Covered Bond will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest, or any writing on, or the theft or loss of, a Definitive Covered Bond issued in respect of it) and no person will be liable for so treating the holder.

2 TRANSFERS OF COVERED BONDS

2.1 No Exchange of Registered Covered Bonds

Registered Covered Bonds may not be exchanged for Bearer Covered Bonds. Bearer Covered Bonds of one Specified Denomination may not be exchanged for Bearer Covered Bonds of another Specified Denomination. Bearer Covered Bonds may not be exchanged for Registered Covered Bonds.

2.2 Transfers of interests in Global Certificates

Transfers of beneficial interests in Global Certificates will be effected by DTC, Euroclear, Clearstream or the CMU, as the case may be, and, in turn, by other accountholders and, if appropriate, indirect accountholders in such clearing systems acting on behalf of beneficial transferors and transferees of such interests. Consequently, the ability to transfer Covered Bonds represented by a Global Certificate to such persons may depend upon the ability to exchange such Covered Bonds for Definitive Covered Bonds. A beneficial interest in a Global Certificate will, subject to compliance with all applicable legal and regulatory

restrictions, be transferable for Definitive Covered Bonds or for a beneficial interest in another Global Certificate only in the authorised denominations and only in accordance with the rules and operating procedures for the time being of DTC, Euroclear, Clearstream or the CMU, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.

2.3 Transfers of Registered Covered Bonds in definitive form

Subject as provided in Conditions 2.5, 2.6 and 2.7, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Covered Bond in definitive form may be transferred in whole or in part (in the authorised denominations). In order to effect any such transfer (a) the holder or holders must (i) surrender the Registered Covered Bond for registration of the transfer of the Registered Covered Bond (or the relevant part of the Registered Covered Bond) at the specified office of the Registrar or any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the Registrar or, as the case may be, the relevant Transfer Agent and (b) the Registrar or, as the case may be, the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in the Agency Agreement). Subject as provided above, the Registrar or, as the case may be, the relevant Transfer Agent will, within 10 Business Days (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar or, as the case may be, the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Definitive Covered Bond with the aggregate nominal amount of the Registered Covered Bond (or the relevant part of the Definitive Covered Bond) transferred.

In the case of the transfer of part only of a Definitive Covered Bond, a new Definitive Covered Bond in respect of the balance of the Definitive Covered Bond not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the address specified by the transferor.

2.4 Costs of registration

Covered Bondholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

2.5 Transfers of interests in Regulation S Covered Bonds

Transfers by the holder of, or of a beneficial interest in, a Regulation S Covered Bond to a transferee in the United States or who is a U.S. Person (as defined in Regulation S) and a "U.S. Resident" (defined as a "U.S. Person" under Regulation S as such term has been interpreted by the U.S. Securities and Exchange Commission Staff in the context of Section 7(d) of the Investment Company Act) (any such person, a "**U.S. Investor**") will only be made:

(a) upon receipt by the Registrar of a written certification substantially in the form set out in the Agency Agreement, amended as appropriate with the consent of the Issuer (a "**Transfer Certificate**"), copies of which are available from the specified office of the Registrar or any Transfer Agent, from the transferor of the Covered Bond or beneficial interest therein to the effect that such transfer is being made to a person who is both a QIB and a QP, purchasing the Covered Bonds for its own account or the account of another person that is both a QIB and a QP in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the states of the United States; or

(b) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Such transferee may take delivery through a Rule 144A Covered Bond.

2.6 Transfers of interests in Rule 144A Covered Bonds

Transfers of Rule 144A Covered Bonds or beneficial interests therein may be made:

(a) to a transferee who takes delivery of such interest through a Regulation S Covered Bond, upon receipt by the Registrar of a duly completed Transfer Certificate from the transferor to the effect that such transfer is being made to a person who is not a U.S. Person in accordance with Regulation S and that the book-entry interest transferred will be held immediately thereafter through Euroclear or Clearstream;

(b) to a transferee who takes delivery of such interest through a Rule 144A Covered Bond where the transferee is both a QIB and a QP in a transaction meeting the requirements of Rule 144A, without certification; or

(c) otherwise pursuant to the Securities Act or an exemption therefrom, subject to receipt by the Issuer of such satisfactory evidence as the Issuer may reasonably require, which may include an opinion of U.S. counsel, that such transfer is in compliance with any applicable securities laws of any State of the United States,

and, in each case, in accordance with any applicable securities laws of any State of the United States or any other jurisdiction.

Upon the transfer, exchange or replacement of Rule 144A Covered Bonds, or upon specific request for removal of the legend therein, the Registrar shall deliver only Rule 144A Covered Bonds or refuse to remove the legend therein, as the case may be, unless there is delivered to the Issuer such satisfactory evidence as may reasonably be required by the Issuer, which may include an opinion of U.S. counsel, that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

2.7 Closed periods

No Covered Bondholder may require the transfer of a Covered Bond to be registered during the period of 15 days ending on the due date for any payment of principal, premium or interest on that Covered Bond.

2.8 Regulations

All transfers of Covered Bonds and entries on the register of Covered Bondholders will be made subject to the detailed regulations concerning transfer of Covered Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Bond Trustee. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Covered Bondholder who requests one.

2.9 Definitions

In this Condition 2, the following expressions shall have the following meanings:

"**Foreign Exchange Transaction Law of Korea**" means the Foreign Exchange Transaction Law No. 5550 dated 16 September 1998;

"**Investment Company Act**" means the United States Investment Company Act of 1940, as amended;

"**QIB**" means a qualified institutional buyer within the meaning of Rule l44A;

"**QP**" means a qualified purchaser within the meaning of Section 2(a)(51) of the Investment Company Act and the rules and regulations thereunder;

"**Regulation S**" means Regulation S under the Securities Act, as amended;

"**Regulation S Covered Bond**" means a Global Certificate representing Covered Bonds sold outside the United States in reliance on Regulation S;

"**Rule 144A**" means Rule 144A under the Securities Act, as amended;

"**Rule 144A Covered Bond**" means a Global Certificate representing Covered Bonds sold in the United States to persons that are both QIBs and QPs in reliance on Rule 144A; and

"**Securities Act**" means the United States Securities Act of 1933, as amended.

3 STATUS OF THE COVERED BONDS

The Covered Bonds constitute direct, unconditional and unsubordinated obligations of the Issuer and rank *pari passu* with all other unsecured and unsubordinated obligations of the Issuer, present and future, other than any obligations preferred by mandatory provisions of applicable law. Holders of the Covered Bonds benefit from the priority right of payment over the Cover Pool Assets, as provided for in the Programme Deed.

4 INTEREST

4.1 Interest on Fixed Rate Covered Bonds

Each Fixed Rate Covered Bond bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date at a rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 4.6.

4.2 Interest on Floating Rate Covered Bonds

(a) Interest Payment Dates

Each Floating Rate Covered Bond bears interest on its Principal Amount Outstanding from (and including) the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 4.6. Such Interest Payment Date(s) is/are either shown in the applicable Pricing Supplement as "Specified Interest Payment Date(s)" or, if no "Specified Interest Payment Date(s)" is/are shown in the applicable Pricing Supplement, "Interest Payment Date" shall mean each date which falls the number of months or other period shown in the applicable Pricing Supplement as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

(b) Business Day Convention

If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is:

(A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event:

(x) such date shall be brought forward to the immediately preceding Business Day; and

(y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment;

(B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day;

(C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day; or

(D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(c) Rate of Interest for Floating Rate Covered Bonds

The Rate of Interest in respect of Floating Rate Covered Bonds for each Interest Accrual Period shall be determined in the manner specified in the applicable Pricing Supplement and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the applicable Pricing Supplement.

(A) ISDA Determination for Floating Rate Covered Bonds

Where "ISDA Determination" is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate.

For the purposes of this Condition 4.2(c)(A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined

by the Calculation Agent under a Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified in the applicable Pricing Supplement;

(y) the Designated Maturity is a period specified in the applicable Pricing Supplement; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the applicable Pricing Supplement.

For the purposes of this Condition 4.2(c)(A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Covered Bonds where the Reference Rate is not specified as being SORA Benchmark, SONIA Benchmark or SOFR Benchmark

(x) Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(i) the offered quotation; or

(ii) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11:00 a.m. (Brussels time in the case of EURIBOR or Hong Kong time in the case of HIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Covered Bonds is specified hereon as being other than EURIBOR or HIBOR, the Rate of Interest in respect of such Covered Bonds will be determined as provided in the applicable Pricing Supplement.

(y) If the Relevant Screen Page is not available or if Condition 4.2(c)(B)(x)(i) applies and no such offered quotation appears on the Relevant Screen Page

or if Condition 4.2(c)(B)(x)(ii) applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Issuer shall use its best endeavours to appoint an Independent Investment Bank and procure such Independent Investment Bank to request, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks or, if the Reference Rate is HIBOR, the principal Hong Kong office of each of the Reference Banks, each to provide the Independent Investment Bank with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is EURIBOR, at approximately 11:00 a.m. (Brussels time) or, if the Reference Rate is HIBOR, at approximately 11:00 a.m. (Hong Kong time) on the Interest Determination Date in question and such rate shall be notified to the Calculation Agent. If two or more of the Reference Banks provide the Independent Investment Bank with and notify the Calculation Agent of such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.

(z) If Condition 4.2(c)(B)(y) applies and the Independent Investment Bank has received quotations from fewer than two Reference Banks, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Independent Investment Bank by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is EURIBOR, at approximately 11:00 a.m. (Brussels time), or, if the Reference Rate is HIBOR, at approximately 11:00 a.m. (Hong Kong time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is EURIBOR, the Euro-zone interbank market, or, if the Reference Rate is HIBOR, the Hong Kong interbank market, as the case may be, or, if fewer than two of the Reference Banks provide the Independent Investment Bank with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is EURIBOR, at approximately 11:00 a.m. (Brussels time), or, if the Reference Rate is HIBOR, at approximately 11:00 a.m. (Hong Kong time) on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Independent Investment Bank suitable for such purpose) informs the Issuer it is quoting to leading banks in, if the Reference Rate is EURIBOR, the Euro-zone interbank market, or, if the Reference Rate is HIBOR, the Hong Kong interbank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though

substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

For the purposes of this Condition 4.2(c)(B), "**Independent Investment Bank**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise (which shall not be the Calculation Agent) appointed by (and at the expense of) the Issuer for the purposes of this Condition 4.2(c)(B) and notified in writing by the Issuer to the Calculation Agent and the Bond Trustee.

(C) Screen Rate Determination for Floating Rate Covered Bonds where the Reference Rate is specified as being SORA Benchmark

For each Floating Rate Covered Bond where the Reference Rate is specified as being SORA Benchmark, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be equal to the relevant SORA Benchmark plus or minus (as indicated in the applicable Pricing Supplement) the Margin.

The "**SORA Benchmark**" will be determined based on Compounded Daily SORA or SORA Index Average, as follows (subject in each case to Condition 4.9(c)):

(x) If Compounded Daily SORA ("**Compounded Daily SORA**") is specified in the applicable Pricing Supplement, the SORA Benchmark for each Interest Accrual Period shall be equal to the value of the SORA rates for each day during the relevant Interest Accrual Period (where "SORA Lookback" or "SORA Payment Delay" is specified in the applicable Pricing Supplement to determine Compounded Daily SORA) or SORA Observation Period (where "SORA Backward Shifted Observation Period" is specified in the applicable Pricing Supplement to determine Compounded Daily SORA).

Compounded Daily SORA shall be calculated by the Calculation Agent on the relevant Interest Determination Date in accordance with one of the formulas referenced below depending upon which is specified in the applicable Pricing Supplement:

(i) Where "SORA Lookback" is specified in the applicable Pricing Supplement:

"**Compounded Daily SORA**" means, with respect to an Interest Accrual Period, the rate of return of a daily compound interest investment during the Observation Period corresponding to such Interest Accrual Period (with the reference rate for the calculation of

interest being the daily Singapore Overnight Rate Average) calculated in accordance with the formula set forth below by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) on the Interest Determination Date, with the resulting percentage being rounded, if necessary, to the nearest one ten-thousandth of a percentage point (0.0001 per cent.), with 0.00005 per cent. being rounded upwards:

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{SORA_{i-x\,SBD}\times n_i}{365}\right)-1\right]\times\frac{365}{d}$$

where:

"**d**" is the number of calendar days in the relevant Interest Accrual Period;

"**d_o**", for any Interest Accrual Period, is the number of Singapore Business Days in the relevant Interest Accrual Period;

"**$_i$**", for the relevant Interest Accrual Period, is a series of whole numbers from one to d_o, each representing the relevant Singapore Business Days in chronological order from, and including, the first Singapore Business Day in such Interest Accrual Period to, but excluding, the last Singapore Business Day in such Interest Accrual Period;

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date falling one Singapore Business Day after the end of each Observation Period;

"**n_i**", for any day "$_i$", is the number of calendar days from and including such day "$_i$" up to but excluding the following Singapore Business Day;

"**Observation Period**" means, for the relevant Interest Accrual Period, the period from, and including, the date falling five Singapore Business Days (or such other number of Singapore Business Days as specified in the applicable Pricing Supplement) prior to the first day of such Interest Accrual Period (and the first Interest Accrual Period shall begin on and include the Interest Commencement Date) and to, but excluding, the date falling five Singapore Business Days (or such other number of Singapore Business Days as specified in the applicable Pricing Supplement) prior to the Interest Payment Date at the end of such Interest Accrual Period (or the date falling five Singapore Business Days (or such other number of Singapore Business Days as specified in the applicable Pricing Supplement) prior to such

earlier date, if any, on which the Covered Bonds become due and payable);

"**Singapore Business Days**" or "**SBD**" means any day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks settle payments in Singapore;

"**SORA**" means, in respect of any Singapore Business Day "i", a reference rate equal to the daily Singapore Overnight Rate Average provided by the Monetary Authority of Singapore (or a successor administrator), as the administrator of the benchmark, on the Monetary Authority of Singapore's website currently at http://www.mas.gov.sg, or any successor website officially designated by the Monetary Authority of Singapore (or as published by its authorised distributors) on the Singapore Business Day immediately following such day "i"; and

"**$SORA_{i\ -\ x\ SBD}$**" means, in respect of any Singapore Business Day "i" in the relevant Interest Accrual Period, the reference rate equal to SORA in respect of the Singapore Business Day falling five Singapore Business Days (or such other number of Singapore Business Days as specified in the applicable Pricing Supplement) prior to the relevant Singapore Business Day "i".

(ii) Where "SORA Backward Shifted Observation Period" is specified in the applicable Pricing Supplement:

"**Compounded Daily SORA**" means, with respect to an Interest Accrual Period, the rate of return of a daily compound interest investment during the Observation Period corresponding to such Interest Accrual Period (with the reference rate for the calculation of interest being the daily Singapore Overnight Rate Average) calculated in accordance with the formula set forth below by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) on the Interest Determination Date, with the resulting percentage being rounded, if necessary, to the nearest one ten-thousandth of a percentage point (0.0001 per cent.), with 0.00005 per cent. being rounded upwards:

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{SORA_i \times n_i}{365}\right)-1\right]\times\frac{365}{d}$$

where:

"**d**" is the number of calendar days in the relevant Observation Period;

"**d_o**", for any Interest Accrual Period, is the number of Singapore Business Days in the relevant Observation Period;

"$_i$", for the relevant Interest Accrual Period, is a series of whole numbers from one to d_o, each representing the relevant Singapore Business Days in chronological order from, and including, the first Singapore Business Day in such Observation Period to, but excluding, the last Singapore Business Day in such Observation Period;

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date falling one Singapore Business Day after the end of each Observation Period;

"**n_i**", for any day "$_i$", is the number of calendar days from and including such day "$_i$" up to but excluding the following Singapore Business Day;

"**Observation Period**" means, for the relevant Interest Accrual Period, the period from, and including, the date falling five Singapore Business Days (or such other number of Singapore Business Days as specified in the applicable Pricing Supplement) prior to the first day of such Interest Accrual Period (and the first Interest Accrual Period shall begin on and include the Interest Commencement Date) and to, but excluding, the date falling five Singapore Business Days (or such other number of Singapore Business Days as specified in the applicable Pricing Supplement) prior to the Interest Payment Date at the end of such Interest Accrual Period (or the date falling five Singapore Business Days (or such other number of Singapore Business Days as specified in the applicable Pricing Supplement) prior to such earlier date, if any, on which the Covered Bonds become due and payable);

"**Singapore Business Days**" or "**SBD**" means any day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks settle payments in Singapore;

"**SORA**" means, in respect of any Singapore Business Day "i", a reference rate equal to the daily Singapore Overnight Rate Average provided by the Monetary Authority of Singapore (or a successor administrator), as the administrator of the benchmark, on the Monetary Authority of Singapore's website currently at http://www.mas.gov.sg, or any successor website officially designated by the Monetary Authority of Singapore (or as published by its authorised distributors) on the Singapore Business Day immediately following such day "i"; and

"**SORA$_i$**" means, in respect of any Singapore Business Day falling in the relevant Observation Period, the reference rate equal to SORA in respect of that Singapore Business Day.

(iii) Where "SORA Payment Delay" is specified in the applicable Pricing Supplement:

"**Compounded Daily SORA**" means, with respect to an Interest Accrual Period, the rate of return of a daily compound interest investment during such Interest Accrual Period (with the reference rate for the calculation of interest being the daily Singapore Overnight Rate Average) calculated in accordance with the formula set forth below by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) on the Interest Determination Date, with the resulting percentage being rounded, if necessary, to the nearest one ten-thousandth of a percentage point (0.0001 per cent.), with 0.00005 per cent. being rounded upwards:

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{SORA_i \times n_i}{365}\right)-1\right]\times\frac{365}{d}$$

where:

"**d**" is the number of calendar days in the relevant Interest Accrual Period;

"**d$_o$**", for any Interest Accrual Period, is the number of Singapore Business Days in the relevant Interest Accrual Period;

"**i**", for the relevant Interest Accrual Period, is a series of whole numbers from one to d_o, each representing the relevant Singapore Business Days in chronological order from, and including, the first Singapore Business Day in such Interest Accrual Period to, but excluding, the last Singapore Business Day in such Interest Accrual Period;

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date falling one Singapore Business Day after the end of each Interest Accrual Period, *provided that* the Interest Determination Date with respect to the final Interest Accrual Period will be the SORA Rate Cut-Off Date;

"**Interest Payment Date**" shall be the date falling the number of Business Days equal to the Interest Payment Delay following each Interest Period End Date; *provided that* (i) the Interest Payment Date with respect to the Interest Accrual Period ending on the Maturity

Date will be the Maturity Date or (ii) if the Issuer elects to redeem the Covered Bonds prior to the Maturity Date, the Interest Payment Date will be the relevant redemption date;

"**Interest Payment Delay**" means five Singapore Business Days (or such other number of Singapore Business Days as specified in the applicable Pricing Supplement);

"$\mathbf{n_i}$", for any day "$_i$", is the number of calendar days from and including such day "$_i$" up to but excluding the following Singapore Business Day;

"**Singapore Business Days**" or "**SBD**" means any day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks settle payments in Singapore;

"**SORA**" means, in respect of any Singapore Business Day "i", a reference rate equal to the daily Singapore Overnight Rate Average provided by the Monetary Authority of Singapore (or a successor administrator), as the administrator of the benchmark, on the Monetary Authority of Singapore's website currently at http://www.mas.gov.sg, or any successor website officially designated by the Monetary Authority of Singapore (or as published by its authorised distributors) on the Singapore Business Day immediately following such day "i";

"$\mathbf{SORA_i}$" means, in respect of any Singapore Business Day falling in the relevant Interest Accrual Period, the reference rate equal to SORA in respect of that Singapore Business Day; and

"**SORA Rate Cut-Off Date**" means the date that is a number of Singapore Business Days prior to the end of each Interest Accrual Period, the Maturity Date or the relevant redemption date, as applicable, as specified in the applicable Pricing Supplement.

For the purposes of calculating Compounded Daily SORA with respect to the Interest Accrual Period ending on the Maturity Date, the Extended Due for Payment Date (where specified as applicable in the applicable Pricing Supplement), or the redemption date, the level of SORA for each Singapore Business Day in the period from (and including) the SORA Rate Cut-Off Date to (but excluding) the Maturity Date, the Extended Due for Payment Date (where specified as applicable in the applicable Pricing Supplement) or the relevant redemption date, as applicable, shall be the level of SORA in respect of such SORA Rate Cut-Off Date.

(y) For each Floating Rate Covered Bond where the Reference Rate is specified as being SORA Index Average ("**SORA Index Average**"), the SORA Benchmark for each Interest Accrual Period shall be equal to the value of the SORA rates for each day during the relevant Interest Accrual Period as calculated by the Calculation Agent on the relevant Interest Determination Date as follows:

$$\left(\frac{SORA\ Index_{End}}{SORA\ Index_{Start}} - 1\right) \times \left(\frac{365}{d_c}\right)$$

and the resulting percentage being rounded if necessary to the nearest one ten-thousandth of a percentage point (0.0001 per cent.), with 0.00005 per cent. being rounded upwards, where:

"**d_c**" means the number of calendar days from (and including) the SORA $Index_{Start}$ to (but excluding) the SORA $Index_{End}$;

"**Singapore Business Days**" means any day (other than a Saturday, Sunday or gazetted public holiday) on which commercial banks settle payments in Singapore;

"**SORA Index**" means, in relation to any Singapore Business Day, the SORA Index as published by the Monetary Authority of Singapore (or a successor administrator), as the administrator of the benchmark, on the Monetary Authority of Singapore's website currently at http://www.mas.gov.sg, or any successor website officially designated by the Monetary Authority of Singapore (or as published by its authorised distributors) at the SORA Index Determination Time, *provided that* if the SORA Index does not so appear at the SORA Index Determination Time, then:

(i) if a SORA Index Cessation Event has not occurred, the "SORA Index Average" shall be calculated on any Interest Determination Date with respect to an Interest Accrual Period, in accordance with the Compounded Daily SORA formula described above in Condition 4.2(c)(C)(x)(ii), and the Observation Period shall be calculated with reference to the number of Singapore Business Days preceding the first date of the relevant Interest Accrual Period that is used in the definition of SORA $Index_{Start}$ as specified in the applicable Pricing Supplement; or

(ii) if a SORA Index Cessation Event has occurred, the provisions set forth in Condition 4.9(c) shall apply;

"**SORA $Index_{End}$**" means the SORA Index value on the date falling five Singapore Business Days (or such other number of Singapore Business Days as specified in the applicable Pricing Supplement) preceding the Interest Period End Date relating to such Interest Accrual Period;

"**SORA Index$_{Start}$**" means the SORA Index value on the date falling five Singapore Business Days (or such other number of Singapore Business Days as specified in the applicable Pricing Supplement) preceding the first date of the relevant Interest Accrual Period; and

"**SORA Index Determination Time**" means, in relation to any Singapore Business Day, approximately 3:00 p.m. (Singapore time) on such Singapore Business Day.

(z) If, subject to Condition 4.9, by 5:00 p.m., Singapore time, on the Singapore Business Day immediately following such day "i", SORA in respect of such day "i" has not been published and a SORA Index Cessation Event has not occurred, then SORA for that day "i" will be SORA as published in respect of the first preceding Singapore Business Day for which SORA was published.

(aa) If the Rate of Interest cannot be determined in accordance with the foregoing provisions by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement), subject to Condition 4.9, the Rate of Interest shall be:

(i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest (as specified in the applicable Pricing Supplement) relating to the relevant Interest Accrual Period in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period); or

(ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Series of Covered Bonds for the first Interest Accrual Period had the Covered Bonds been in issue for a period equal in duration to the scheduled first Interest Accrual Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin and any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first Interest Accrual Period).

(bb) If the relevant Series of Covered Bonds becomes due and payable in accordance with Condition 9, the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable Pricing Supplement, be deemed to be the date on which such Covered Bonds became due and payable (with corresponding adjustments being deemed to be made to the applicable SORA Benchmark formula) and the

Rate of Interest on such Covered Bonds shall, for so long as any such Covered Bond remains outstanding, be that determined on such date.

(D) Screen Rate Determination for Floating Rate Covered Bonds where the Reference Rate is specified as being SONIA Benchmark

For each Floating Rate Covered Bond where the Reference Rate is specified as being SONIA Benchmark, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be equal to the relevant SONIA Benchmark plus or minus (as indicated in the applicable Pricing Supplement) the Margin.

The "**SONIA Benchmark**" will be determined based on Compounded Daily SONIA or SONIA Index Average, as follows (subject in each case to Condition 4.9(a)):

(x) If Compounded Daily SONIA is specified in the applicable Pricing Supplement, Compounded Daily SONIA shall be calculated by the Calculation Agent on the relevant Interest Determination Date in accordance with the formula referenced below:

"**Compounded Daily SONIA**" means, with respect to an Interest Accrual Period, the rate of return of a daily compound interest investment during the SONIA Observation Period corresponding to such Interest Accrual Period (with the daily Sterling Overnight Index Average (SONIA) as reference rate for the calculation of interest) and will be calculated by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) on the relevant Interest Determination Date, as follows, and the resulting percentage will be rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{\text{SONIA}_{i-xLBD}\times n_i}{365}\right)-1\right]\times\frac{365}{d}$$

where:

"**d**" means the number of calendar days in:

(i) where "SONIA Observation Lag" is specified as the SONIA Observation Method in the applicable Pricing Supplement, the relevant Interest Accrual Period; or

(ii) where "SONIA Observation Shift" is specified as the SONIA Observation Method in the applicable Pricing Supplement, the relevant SONIA Observation Period;

"**d_o**" means:

(i) where "SONIA Observation Lag" is specified as the SONIA Observation Method in the applicable Pricing Supplement, the number of London Business Days in the relevant Interest Accrual Period; or

(ii) where "SONIA Observation Shift" is specified as the SONIA Observation Method in the applicable Pricing Supplement, the number of London Business Days in the relevant SONIA Observation Period;

"**i**" means a series of whole numbers from one to d_o, each representing the relevant London Business Day in chronological order from (and including):

(i) where "SONIA Observation Lag" is specified as the SONIA Observation Method in the applicable Pricing Supplement, the first London Business Day in the relevant Interest Accrual Period to (and including) the last London Business Day in such Interest Accrual Period; or

(ii) where "SONIA Observation Shift" is specified as the SONIA Observation Method in the applicable Pricing Supplement, the first London Business Day in the relevant SONIA Observation Period to (and including) the last London Business Day in such SONIA Observation Period;

"**London Business Day**" or "**LBD**" means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

"**n_i**", for any London Business Day "$_i$", means the number of calendar days from and including such London Business Day "$_i$" up to but excluding the following London Business Day;

"**$SONIA_{i-xLBD}$**" means:

(i) where "SONIA Observation Lag" is specified as the SONIA Observation Method in the applicable Pricing Supplement, in respect of any London Business Day "$_i$", the SONIA Reference Rate for the London Business Day falling "*x*" London Business Days prior to such London Business Day "$_i$"; or

(ii) where "SONIA Observation Shift" is specified as the SONIA Observation Method in the applicable Pricing Supplement, in respect of any London Business Day "$_i$", the SONIA Reference Rate for that day;

"**SONIA Observation Period**" means the period from (and including) the date falling "x" London Business Days prior to the first day of the relevant Interest Accrual Period (and the first Interest Accrual Period shall begin on and include the Interest Commencement Date) and ending on (but excluding) the date falling "x" London Business Days prior to the Interest Period End Date at the end of such Interest Accrual Period (or the date falling "x" London Business Days prior to such earlier date, if any, on which the Covered Bonds become due and payable);

"**SONIA Reference Rate**" means, in respect of any London Business Day, a reference rate equal to the daily Sterling Overnight Index Average (SONIA) rate for such London Business Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors (on the London Business Day immediately following such London Business Day); and

"***x***" means:

(i) where "SONIA Observation Lag" is specified as the SONIA Observation Method in the applicable Pricing Supplement, five London Business Days (or such other number of London Business Days in the SONIA Observation Period as specified in the applicable Pricing Supplement); or

(ii) where "SONIA Observation Shift" is specified as the SONIA Observation Method in the applicable Pricing Supplement, five London Business Days (or such other number of London Business Days in the SONIA Observation Period as specified in the applicable Pricing Supplement).

(y) If SONIA Index Average ("**SONIA Index Average**") is specified in the applicable Pricing Supplement as the relevant SONIA Benchmark, the SONIA Benchmark for each Interest Accrual Period shall be equal to the rate of return of a daily compound interest investment during the Observation Period corresponding to such Interest Accrual Period (with the daily Sterling Overnight Index Average (SONIA) as reference rate for the calculation of interest) as will be calculated by the Calculation Agent on the relevant Interest Determination Date as follows, and the resulting percentage being rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left(\frac{SONIA\ Compounded\ Index_{END}}{SONIA\ Compounded\ Index_{START}} - 1\right) \times \left(\frac{365}{d}\right)$$

subject to Condition 4.9(a), if the SONIA Compounded Index Value is not available in relation to any Interest Accrual Period on the Relevant Screen Page for the determination of either SONIA Compounded $\text{Index}_{\text{START}}$ or

SONIA Compounded Index$_{END}$, the Rate of Interest shall be calculated for such Interest Accrual Period on the basis of Compounded Daily SONIA (as set out in Condition 4.2(c)(D)(x)) and where "SONIA Observation Shift" is specified as the SONIA Observation Method.

Where:

"***d***" means the number of calendar days in the relevant SONIA Observation Period;

"**London Business Day**" means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

"***p***" means, for any Interest Accrual Period, five London Business Days (or such other number of London Business Days as specified in the applicable Pricing Supplement);

"**SONIA Observation Period**" means, in respect of an Interest Accrual Period, the period from and including the date falling "*p*" London Business Days prior to the first day of such Interest Accrual Period and ending on (but excluding) the date which is "*p*" London Business Days prior to the Interest Payment Date for such Interest Accrual Period (or the date falling "*p*" London Business Days prior to such earlier date, if any, on which the Covered Bonds become due and payable);

"**SONIA Compounded Index**" means the index known as the SONIA Compounded Index administered by the Bank of England (or any successor administrator thereof);

"**SONIA Compounded Index$_{START}$**" means the SONIA Compounded Index Value on the date which is "*p*" London Business Days preceding the first day of the relevant Interest Accrual Period (or in the first Interest Accrual Period, the Issue Date);

"**SONIA Compounded Index$_{END}$**" means the SONIA Compounded Index Value on the date which is "*p*" London Business Days preceding:

(i) the Interest Payment Date for the relevant Interest Accrual Period;

(ii) in the final Interest Accrual Period, the Maturity Date (in the case of a final Interest Accrual Period ending on the Maturity Date) or the Extended Due for Payment Date (in the case of a final Interest Accrual Period ending on the Extended Due for Payment Date); or

(iii) the date on which the relevant Series of Covered Bonds becomes due and payable; and

"**SONIA Compounded Index Value**" means, in relation to any London Business Day, the value of the SONIA Compounded Index as published by authorised distributors on the Relevant Screen Page on such London Business Day or, if the value of the SONIA Compounded Index cannot be obtained from such authorised distributors, as published on the Bank of England's Website at www.bankofengland.co.uk/boeapps/database/ (or such other page or website as may replace such page for the purposes of publishing the SONIA Compounded Index) on the next following London Business Day.

(z) If, subject to Condition 4.9(a), in respect of any London Business Day in the relevant Observation Period, the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement) determines that the SONIA Reference Rate is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such SONIA Reference Rate shall be:

(i) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at 5:00 p.m. (or, if earlier, close of business) on the relevant London Business Day; plus

(ii) the mean of the spread of the SONIA Reference Rate to the Bank Rate over the previous five days on which a SONIA Reference Rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate.

Notwithstanding the paragraph above, and without prejudice to Condition 4.9(a), in the event the Bank of England publishes guidance as to:

(aa) how the SONIA Reference Rate is to be determined; or

(bb) any rate that is to replace the SONIA Reference Rate,

the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest as specified in the applicable Pricing Supplement, and in consultation with the Issuer) shall, to the extent that it is reasonably practicable, follow such guidance in order to determine the SONIA Reference Rate for the purpose of the relevant Series of Covered Bonds for so long as the SONIA Reference Rate is not available or has not been published by the authorised distributors.

(aa) If the Rate of Interest cannot be determined in accordance with the foregoing provisions by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement), subject to Condition 4.9(a), the Rate of Interest shall be:

(i) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest (as specified in the applicable Pricing Supplement) relating to the relevant Interest Accrual Period in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period); or

(ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Series of Covered Bonds for the first Interest Accrual Period had the Covered Bonds been in issue for a period equal in duration to the scheduled first Interest Accrual Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin and any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first Interest Accrual Period).

(bb) If the relevant Series of Covered Bonds becomes due and payable in accordance with Condition 9, the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable Pricing Supplement, be deemed to be the date on which such Covered Bonds became due and payable (with corresponding adjustments being deemed to be made to the applicable SONIA Benchmark formula) and the Rate of Interest on such Covered Bonds shall, for so long as any such Covered Bond remains outstanding, be that determined on such date.

(E) Screen Rate Determination for Floating Rate Covered Bonds where the Reference Rate is specified as being SOFR Benchmark

For each Floating Rate Covered Bond where the Reference Rate is specified as being SOFR Benchmark, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be equal to the relevant SOFR Benchmark plus or minus (as indicated in the applicable Pricing Supplement) the Margin.

The "**SOFR Benchmark**" will be determined based on Compounded Daily SOFR or SOFR Index Average, as follows (subject in each case to Condition 4.9):

(x) If Compounded Daily SOFR ("**Compounded Daily SOFR**") is specified in the applicable Pricing Supplement, the SOFR Benchmark for each Interest Accrual Period shall be equal to the value of the SOFR rates for each day during the relevant Interest Accrual Period (where "SOFR Observation

Lag" or "SOFR Payment Delay" is specified in the applicable Pricing Supplement to determine Compounded Daily SOFR) or SOFR Observation Period (where "SOFR Observation Shift" is specified in the applicable Pricing Supplement to determine Compounded Daily SOFR).

Compounded Daily SOFR shall be calculated by the Calculation Agent on the relevant Interest Determination Date in accordance with the relevant formula referenced below (to be specified in the applicable Pricing Supplement):

(i) *SOFR Observation Lag*:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_{i\,-\times USBD}\ \times\ n_i}{360}\right)-1\right)\times\frac{360}{d}$$

and the resulting percentage being rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards, where:

"**d**" means the number of calendar days in the relevant Interest Accrual Period;

"**d_o**" for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"**i**" means a series of whole numbers from one to d_o, each representing the relevant U.S. Government Securities Business Days in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period;

"**Lookback Days**" means five U.S. Government Securities Business Days (or such other number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement);

"**n_i**" for any U.S. Government Securities Business Day "i" in the relevant Interest Accrual Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day; and

"**$SOFR_{i\text{-}xUSBD}$**" for any U.S. Government Securities Business Day "i" in the relevant Interest Accrual Period, is equal to the SOFR in respect of the U.S. Government Securities Business Days falling a number of U.S. Government Securities Business Days prior to that day "i" equal to the number of Lookback Days.

(ii) *SOFR Observation Shift*:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

and the resulting percentage being rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards, where:

"**d**" means the number of calendar days in the relevant SOFR Observation Period;

"**d_o**" for any SOFR Observation Period, means the number of U.S. Government Securities Business Days in the relevant SOFR Observation Period;

"**i**" means a series of whole numbers from one to d_o, each representing the relevant U.S. Government Securities Business Days in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant SOFR Observation Period;

"**n_i**" for any U.S. Government Securities Business Day "i" in the relevant SOFR Observation Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day;

"**SOFR Observation Period**" means, in respect of each Interest Accrual Period, the period from (and including) the date falling a number of U.S. Government Securities Business Days equal to the SOFR Observation Shift Days preceding the first date in such Interest Accrual Period to (but excluding) the date falling a number of U.S. Government Securities Business Days equal to the number of SOFR Observation Shift Days preceding the Interest Period End Date for such Interest Accrual Period;

"**SOFR Observation Shift Days**" means five U.S. Government Securities Business Days (or such other number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement); and

"**$SOFR_i$**" for any U.S. Government Securities Business Day "i" in the relevant SOFR Observation Period, is equal to SOFR in respect of that day "i".

(iii) *SOFR Payment Delay*:

$$\left(\prod_{i=1}^{d_o}\left(1+\frac{SOFR_i \times n_i}{360}\right)-1\right)\times\frac{360}{d}$$

and the resulting percentage being rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards, where:

"**d**" means the number of calendar days in the relevant Interest Accrual Period;

"**d_o**" for any Interest Accrual Period, means the number of U.S. Government Securities Business Days in the relevant Interest Accrual Period;

"**i**" means a series of whole numbers from one to d_o, each representing the relevant U.S. Government Securities Business Days in chronological order from (and including) the first U.S. Government Securities Business Day in the relevant Interest Accrual Period;

"**Interest Payment Date**" shall be the date falling the number of Business Days equal to the Interest Payment Delay following each Interest Period End Date; *provided that* (i) the Interest Payment Date with respect to the final Interest Accrual Period ending on the Maturity Date will be the Maturity Date, (ii) the Interest Payment Date with respect to any Interest Accrual Period ending on the Extended Due for Payment Date in respect of a Series of Covered Bonds which are subject to an Extended Due for Payment Date (as specified in the applicable Pricing Supplement) will be the Extended Due for Payment Date, or (iii) if the Issuer elects to redeem the Covered Bonds prior to the Maturity Date or, if applicable, the Extended Due for Payment Date, the Interest Payment Date will be the relevant redemption date;

"**Interest Payment Delay**" means five U.S. Government Securities Business Days (or such other number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement);

"**Interest Determination Date**" means the Interest Period End Date at the end of each Interest Accrual Period, *provided that* the Interest Determination Date with respect to the final Interest Accrual Period will be the SOFR Rate Cut-Off Date;

"**n_i**" for any U.S. Government Securities Business Day "i" in the relevant Interest Accrual Period, means the number of calendar days from (and including) such U.S. Government Securities Business Day "i" up to (but excluding) the following U.S. Government Securities Business Day;

"**$SOFR_i$**" for any U.S. Government Securities Business Day "i" in the relevant Interest Accrual Period, is equal to SOFR in respect of that day "i"; and

"**SOFR Rate Cut-Off Date**" means the date that is a number of U.S. Government Securities Business Days prior to the end of each Interest Accrual Period, the Maturity Date, the Extended Due for Payment Date (where specified as applicable in the applicable Pricing Supplement) or the relevant redemption date, as applicable, as specified in the applicable Pricing Supplement.

For the purposes of calculating Compounded Daily SOFR with respect to the final Interest Accrual Period, the level of SOFR for each U.S. Government Securities Business Day in the period from (and including) the SOFR Rate Cut-Off Date to (but excluding) the Maturity Date, the Extended Due for Payment Date (where specified as applicable in the applicable Pricing Supplement) or the relevant redemption date, as applicable, shall be the level of SOFR in respect of such SOFR Rate Cut-Off Date.

In connection with the SOFR provisions set out in this Condition 4.2(c)(E)(x), the following definitions apply:

"**SOFR**" means, with respect to any U.S. Government Securities Business Day, the rate determined by the Calculation Agent in accordance with the following provisions:

(i) the secured overnight financing rate (the "**Secured Overnight Financing Rate**") published at the SOFR Determination Time on the SOFR Administrator's Website;

(ii) if the rate specified in paragraph (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the SOFR published on the SOFR Administrator's Website for the first preceding U.S. Government Securities Business Day for which SOFR was published on the SOFR Administrator's Website; or

(iii) if the rate specified in paragraph (i) above does not appear and a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 4.9(b) shall apply; and

"**SOFR Determination Time**" means approximately 3:00 p.m. (New York City time) on the immediately following U.S. Government Securities Business Day.

(y) If SOFR Index Average ("**SOFR Index Average**") is specified in the applicable Pricing Supplement, the SOFR Benchmark for each Interest Accrual Period shall be equal to the value of the SOFR rates for each day during the relevant Interest Accrual Period as calculated by the Calculation Agent on the relevant Interest Determination Date as follows:

$$\left(\frac{SOFR\ Index_{End}}{SOFR\ Index_{Start}} - 1\right) \times \left(\frac{360}{d_c}\right)$$

and the resulting percentage being rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards, where:

"**d_c**" means the number of calendar days from (and including) the SOFR $Index_{Start}$ to (but excluding) the SOFR $Index_{End}$;

"**SOFR Index**" means, in relation to any U.S. Government Securities Business Day, the SOFR Index as published by the SOFR Administrator on the SOFR Administrator's Website at the SOFR Index Determination Time on such U.S. Government Securities Business Day, *provided that*, if the SOFR Index does not so appear at the SOFR Index Determination Time, then:

(a) if a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have not occurred, the "SOFR Index Average" shall be calculated on any Interest Determination Date with respect to an Interest Accrual Period, in accordance with the Compounded Daily SOFR formula described in Condition 4.2(c)(E)(x)(ii) "SOFR Observation Shift", and the term "SOFR Observation Shift Days" shall be specified in the applicable Pricing Supplement; or

(b) if a SOFR Benchmark Transition Event and its related SOFR Benchmark Replacement Date have occurred, the provisions set forth in Condition 4.9(b) shall apply;

"**SOFR $Index_{End}$**" means the SOFR Index value on the date that is five U.S. Government Securities Business Days (or such other number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement) preceding the Interest Period End Date relating to such Interest Accrual Period (or in the final Interest Accrual Period, the Maturity Date or the Extended Due for Payment Date (where specified as applicable in the applicable Pricing Supplement), as the case may be);

"**SOFR $Index_{Start}$**" means the SOFR Index value on the date that is five U.S. Government Securities Business Days (or such other number of U.S. Government Securities Business Days as specified in the applicable Pricing Supplement) preceding the first date of the relevant Interest Accrual Period;

"**SOFR Index Determination Time**" means, in relation to any U.S. Government Securities Business Day, approximately 3:00 p.m. (New York City time) on such U.S. Government Securities Business Day;

"**SOFR Administrator**" means the Federal Reserve Bank of New York (or a successor administrator of SOFR);

"**SOFR Administrator's Website**" means the website of the Federal Reserve Bank of New York, or any successor source;

"**SOFR Benchmark Replacement Date**" means the date of occurrence of a Benchmark Event with respect to the then-current SOFR Benchmark; and

"**SOFR Benchmark Transition Event**" means the occurrence of a Benchmark Event with respect to the then-current SOFR Benchmark.

(z) If the Rate of Interest cannot be determined in accordance with the foregoing provisions by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Pricing Supplement), subject to Condition 4.9, the Rate of Interest shall be:

(I) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum Rate of Interest or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum Rate of Interest or Minimum Rate of Interest (as specified in the applicable Pricing Supplement) relating to the relevant Interest Accrual Period in place of the Margin or Maximum Rate of Interest or Minimum Rate of Interest relating to that last preceding Interest Accrual Period); or

(II) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Series of Covered Bonds for the first Interest Accrual Period had the Covered Bonds been in issue for a period equal in duration to the scheduled first Interest Accrual Period but ending on (and excluding) the Interest Commencement Date (but applying the Margin and any Maximum Rate of Interest or Minimum Rate of Interest applicable to the first Interest Accrual Period).

(aa) If the relevant Series of Covered Bonds becomes due and payable in accordance with Condition 9, the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable Pricing Supplement, be deemed to be the date on which such Covered Bonds became due and payable (with corresponding adjustments being deemed to be made to the applicable SOFR Benchmark formula) and the

Rate of Interest on such Covered Bonds shall, for so long as any such Covered Bond remains outstanding, be that determined on such date.

4.3 Zero Coupon Covered Bonds

Where a Covered Bond the Rate of Interest of which is specified to be "Zero Coupon" is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Covered Bond. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Covered Bond shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6.6(a)).

4.4 Accrual of interest

Each Covered Bond (or in the case of the redemption of part only of a Covered Bond, that part only of such Covered Bond) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, repayment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Bond Trust Deed.

In these Conditions:

"**Principal Amount Outstanding**" means, in respect of a Covered Bond, the principal amount of that Covered Bond on the Issue Date less principal amounts received by the relevant Covered Bondholder in respect thereof.

4.5 Margin, Maximum/Minimum Rates of Interest and Redemption Amounts and Rounding

(a) If any Margin is specified in the applicable Pricing Supplement (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 4.2 by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to Condition 4.5(b).

(b) If any Maximum Rate of Interest or Minimum Rate of Interest or Redemption Amount is specified in the applicable Pricing Supplement, then any Rate of Interest or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(c) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the fifth decimal place (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes, "**unit**" means the lowest amount of such currency that is available as legal tender in the country(ies) of such currency.

4.6 Calculations

The amount of interest payable per calculation amount specified in the applicable Pricing Supplement (or, if no such amount is so specified, the Specified Denomination) (the "**Calculation Amount**") in respect of any Covered Bond for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Covered Bond for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

4.7 Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts

The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount or Early Redemption Amount, or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount or Early Redemption Amount to be notified to the Bond Trustee, the Issuer, each of the Paying Agents, the Covered Bondholders, any other Calculation Agent appointed in respect of the Covered Bonds that is to make a further calculation upon receipt of such information and, if the Covered Bonds are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than:

(a) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount; or

(b) in all other cases, the fourth Business Day after such determination.

Where any Interest Payment Date or Interest Period End Date is subject to adjustment pursuant to Condition 4.2(b), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Covered Bonds become due and payable under Condition 9, the accrued interest and the Rate of Interest payable in respect of the Covered Bonds shall nevertheless continue to be calculated as previously in accordance with this Condition 4.7 but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The

determination of any rate or amount, and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

4.8 Determination or Calculation by an agent of the Issuer

If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Final Redemption Amount or Early Redemption Amount, the Issuer shall appoint an agent on its behalf to do so and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, such agent shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by such agent pursuant to this Condition 4.8 shall (in the absence of manifest error) be final and binding upon all parties.

4.9 Benchmark Discontinuation

(a) Benchmark Discontinuation (General)

Where the Pricing Supplement specifies this Condition 4.9(a) as applicable:

(A) Independent Adviser

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate or, failing which, an Alternative Rate (in accordance with Condition 4.9(a)(B)) and, in either case, an Adjustment Spread (in accordance with Condition 4.9(a)(C)) and any Benchmark Amendments (in accordance with Condition 4.9(a)(D)).

In making such determination, the Independent Adviser appointed pursuant to this Condition 4.9(a) shall act in good faith as an expert and in consultation with the Issuer. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Bond Trustee, the Paying Agents or the Covered Bondholders for any determination made by it, pursuant to this Condition 4.9(a).

If:

(x) the Issuer is unable to appoint an Independent Adviser; or

(y) the Independent Adviser fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 4.9(a)(A) prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Accrual Period shall be equal to the Rate of Interest last determined in relation to the Covered Bonds in

respect of the immediately preceding Interest Accrual Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Accrual Period only and any subsequent Interest Accrual Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 4.9(a)(A).

(B) Successor Rate or Alternative Rate

If the Independent Adviser determines that:

(x) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Covered Bonds (subject to the operation of this Condition 4.9(a)); or

(y) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Covered Bonds (subject to the operation of this Condition 4.9(a)).

(C) Adjustment Spread

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Independent Adviser (in consultation with the Issuer) is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread.

(D) Benchmark Amendments

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 4.9(a) and the Independent Adviser (in consultation with the Issuer) determines:

(x) that amendments to these Conditions and/or the Bond Trust Deed are necessary to ensure the proper operation of such Successor Rate or

Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the "**Benchmark Amendments**"); and

(y) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 4.9(a)(E), without any requirement for the consent or approval of Covered Bondholders, the Bond Trustee or the Agents, vary these Conditions and/or the Bond Trust Deed to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Bond Trustee of a certificate signed by two authorised signatories of the Issuer pursuant to Condition 4.9(a)(E), the Bond Trustee shall (at the expense of the Issuer), without any requirement for the consent or approval of the Covered Bondholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Bond Trust Deed), *provided that* the Bond Trustee shall not be obliged so to concur if in the opinion of the Bond Trustee doing so would impose more onerous obligations upon them or expose them to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Bond Trustee in these Conditions or the Bond Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) in any way.

For the avoidance of doubt, the Bond Trustee and the Issuing and Paying Agent shall, at the direction and expense of the Issuer, effect such consequential amendments to the Bond Trust Deed, the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 4.9(a)(D). Covered Bondholders' consent shall not be required in connection with the effecting of the Successor Rate or the Alternative Rate (as applicable) or such other changes, including the execution of any documents or any steps by the Bond Trustee or the Issuing and Paying Agent (if required). Further, none of the Bond Trustee, the Calculation Agent, the Paying Agents, the Registrar or the Transfer Agents shall be responsible or liable for any determinations or certifications made by the Issuer or the Independent Adviser with respect to any Successor Rate or Alternative Rate (as applicable) or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

In connection with any such variation in accordance with this Condition 4.9(a)(D), the Issuer shall comply with the rules of any stock exchange on which the Covered Bonds are for the time being listed or admitted to trading.

(E) Notices

The occurrence of a Benchmark Event shall be determined by the Issuer and any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 4.9(a) will be

notified promptly by the Issuer to the Bond Trustee, the Calculation Agent, the Paying Agents, the Rating Agencies and, in accordance with Condition 13, the Covered Bondholders or the Couponholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any. For the avoidance of doubt, neither the Bond Trustee, the Calculation Agent nor the Paying Agents shall have any responsibility for making such determination.

No later than notifying the Covered Bondholders of the same, the Issuer shall deliver to the Bond Trustee a certificate signed by two authorised signatories of the Issuer:

(x) confirming:

(i) that a Benchmark Event has occurred;

(ii) the Successor Rate or, as the case may be, the Alternative Rate;

(iii) the applicable Adjustment Spread; and

(iv) the specific terms of the Benchmark Amendments (if any),

in each case as determined in accordance with the provisions of this Condition 4.9(a); and

(y) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

The Bond Trustee shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate, Alternative Rate, the Adjustment Spread or the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate, Alternative Rate, the Adjustment Spread or the Benchmark Amendments (if any) and without prejudice to the Bond Trustee's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Bond Trustee, the Calculation Agent, the Paying Agents, the Covered Bondholders and Couponholders.

(F) Survival of Original Reference Rate

Without prejudice to the obligations of the Issuer under Conditions 4.9(a)(A), 4.9(a)(B), 4.9(a)(C) and 4.9(a)(D), the Original Reference Rate and the fallback provisions provided for in Condition 4.2(c)(B) or (C), as applicable, will continue to apply unless and until a Benchmark Event has occurred.

(G) Definitions:

As used in this Condition 4.9(a):

"**Adjustment Spread**" means either:

(x) a spread (which may be positive, negative or zero); or

(y) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);

(ii) the Independent Adviser determines as being customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or (if the Independent Adviser determines that no such spread is customarily applied)

(iii) the Independent Adviser (in consultation with the Issuer) determines, and which is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 4.9(a)(B) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the relevant Series of Covered Bonds;

"**Benchmark Amendments**" has the meaning given to it in Condition 4.9(a)(D);

"**Benchmark Event**" means:

(x) the Original Reference Rate ceasing to be published for a period of at least five Business Days or ceasing to exist; or

(y) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(z) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or

(aa) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally or in respect of the Covered Bonds or any Transaction Documents; or

(bb) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is or will be (or is or will be deemed by such supervisor to be) no longer representative of its relevant underlying market; or

(cc) it has become unlawful for any Paying Agent, Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Covered Bondholder using the Original Reference Rate,

provided that the Benchmark Event shall be deemed to occur (a) in the case of paragraphs (y) and (z) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (b) in the case of paragraph (aa) above, on the date of the prohibition of use of the Original Reference Rate and (c) in the case of paragraph (bb) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed by the relevant supervisor to no longer be) representative of its relevant underlying market and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement;

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by and at the expense of the Issuer under Condition 4.9(a)(A);

"**Original Reference Rate**" means the originally specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Covered Bonds;

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(x) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(y) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of:

(i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates;

(ii) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable);

(iii) a group of the aforementioned central banks or other supervisory authorities; or

(iv) the Financial Stability Board or any part thereof.

"**Successor Rate**" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

Where the Original Reference Rate for a Series of Covered Bonds is EURIBOR, the Successor Rate could include the rate (inclusive of any spreads or adjustments) formally recommended by (i) the working group on euro risk-free rates established by the European Central Bank, the Financial Services and Markets Authority, the European Securities and Markets Authority and the European Commission, (ii) the European Money Markets Institute, as the administrator of EURIBOR, (iii) the competent authority responsible under Regulation (EU) 2016/1011 for supervising the European Money Markets Institute, as the administrator of the EURIBOR, (iv) the national competent authority designated by each Member State under Regulation (EU) 2016/1011, or (v) the European Central Bank.

(b) Benchmark Discontinuation (SOFR)

This Condition 4.9(b) shall only apply to U.S. dollar-denominated Covered Bonds where so specified in the applicable Pricing Supplement.

Where the Pricing Supplement specifies this Condition 4.9(b) as applicable:

(A) Benchmark Replacement

If the Issuer or its designee determines on or prior to the relevant Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the then-current Benchmark, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Covered Bonds in respect of all determinations on such date and for all determinations on all subsequent dates.

(B) Benchmark Replacement Conforming Changes

In connection with the implementation of a Benchmark Replacement, the Issuer or its designee will have the right to make Benchmark Replacement Conforming Changes from time to time. For the avoidance of doubt, the Bond Trustee and the Issuing and Paying Agent shall, at the direction and expense of the Issuer, but subject to receipt by the Bond Trustee of a certificate signed by two authorised signatories of the Issuer confirming that a Benchmark Event has occurred, be obliged to concur with the Issuer in effecting such consequential amendments to the Bond Trust Deed, the Agency Agreement and these Conditions as may be required to give effect to this Condition 4.9(b)(B), *provided that* the Bond Trustee shall not be obliged so to concur if in the opinion of the Bond Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Bond Trustee in these Conditions or the Bond Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) in any way. Covered Bondholders' consent shall not be required in connection with the effecting of any such changes, including the execution of any documents or any steps by the Bond Trustee or the Issuing and Paying Agent (if required). Further, none of the Bond Trustee, the Calculation Agent, the Paying Agents, the Registrar or the Transfer Agents shall be responsible or liable for any determinations, decisions or elections made by the Issuer or its designee with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

(C) Decisions and Determinations

Any determination, decision or election that may be made by the Issuer or its designee pursuant to this Condition 4.9(b), including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection will be conclusive and binding absent manifest error, will be made in the sole discretion of the Issuer or its designee, as applicable and, notwithstanding anything to the contrary in the documentation relating to the Covered Bonds, shall become effective without consent from Covered Bondholders or any other party.

(D) Definitions

As used in this Condition 4.9(b):

"**Benchmark**" means, initially, the relevant SOFR Benchmark specified in the applicable Pricing Supplement (or any daily published component used in the calculation thereof); *provided that* if the Issuer or its designee determines on or prior to the Reference Time that a Benchmark Event and its related Benchmark Replacement Date have occurred with respect to the SOFR Benchmark (including any daily published component used in the calculation thereof) or the then-

current Benchmark, then "**Benchmark**" means the applicable Benchmark Replacement;

"**Benchmark Event**" means the occurrence of one or more of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(x) a public statement or publication of information by or on behalf of the administrator of the Benchmark (or such component) announcing that such administrator has ceased or will cease to provide the Benchmark (or such component), permanently or indefinitely, *provided that*, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(y) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark (or such component), the central bank for the currency of the Benchmark (or such component), an insolvency official with jurisdiction over the administrator for the Benchmark (or such component), a resolution authority with jurisdiction over the administrator for the Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for the Benchmark, which states that the administrator of the Benchmark (or such component) has ceased or will cease to provide the Benchmark (or such component) permanently or indefinitely, *provided that*, at the time of such statement or publication, there is no successor administrator that will continue to provide the Benchmark (or such component); or

(z) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark announcing that the Benchmark is no longer representative;

"**Benchmark Replacement**" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(x) the sum of:

(i) the alternate reference rate that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof); and

(ii) the Benchmark Replacement Adjustment;

(y) the sum of:

(i) the ISDA Fallback Rate; and

(ii) the Benchmark Replacement Adjustment; or

(z) the sum of:

(i) the alternate reference rate that has been selected by the Issuer or its designee as the replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) giving due consideration to any industry-accepted reference rate as a replacement for the then-current Benchmark (including any daily published component used in the calculation thereof) for U.S. dollar-denominated floating rate notes at such time; and

(ii) the Benchmark Replacement Adjustment;

"**Benchmark Replacement Adjustment**" means the first alternative set forth in the order below that can be determined by the Issuer or its designee as of the Benchmark Replacement Date:

(x) the spread adjustment, or method for calculating or determining such spread adjustment (which may be a positive or negative value or zero) that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;

(y) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, the ISDA Fallback Adjustment; or

(z) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer or its designee giving due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the then-current Benchmark (including any daily published component used in the calculation thereof) with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated floating rate notes at such time;

"**Benchmark Replacement Conforming Changes**" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors and other administrative matters) that the Issuer or its designee decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Issuer or its designee decides that adoption of any portion of such market practice is not administratively feasible or if the Issuer or its designee determines that no market practice for use of the Benchmark

Replacement exists, in such other manner as the Issuer or its designee determines is reasonably necessary);

"**Benchmark Replacement Date**" means the earliest to occur of the following events with respect to the then-current Benchmark (including any daily published component used in the calculation thereof):

(x) in the case of paragraph (x) or (y) of the definition of "Benchmark Event", the later of:

(i) the date of the public statement or publication of information referenced therein; and

(ii) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark (or such component); or

(y) in the case of paragraph (z) of the definition of "Benchmark Event", the date of the public statement or publication of information referenced therein.

For the avoidance of doubt, if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination;

"**designee**" means a designee as selected and separately appointed by the Issuer in writing;

"**ISDA Definitions**" means the 2021 ISDA Interest Rates Derivatives Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time;

"**ISDA Fallback Adjustment**" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Benchmark;

"**ISDA Fallback Rate**" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Benchmark (including any daily published component used in the calculation thereof) for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

"**Reference Time**" with respect to any determination of the Benchmark means:

(x) if the Benchmark is the SOFR Benchmark, the SOFR Determination Time (where Compounded Daily SOFR is specified as applicable in the

applicable Pricing Supplement) or the SOFR Index Determination Time (where SOFR Index Average is specified as applicable in the applicable Pricing Supplement); or

(y) if the Benchmark is not the SOFR Benchmark, the time determined by the Issuer or its designee after giving effect to the Benchmark Replacement Conforming Changes; and

"**Relevant Governmental Body**" means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

(c) Benchmark Discontinuation (SORA)

This Condition 4.9(c) shall only apply to Singapore dollar-denominated Covered Bonds where so specified in the applicable Pricing Supplement.

Where the Pricing Supplement specifies this Condition 4.9(c) as applicable:

(A) Independent Adviser

Notwithstanding the provisions above in this Condition 4.9, if a SORA Index Cessation Event occurs in relation to an Original Reference Rate prior to the relevant Interest Determination Date when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine the Benchmark Replacement (in accordance with Condition 4.9(c)(B)) and an Adjustment Spread, if any (in accordance with Condition 4.9(c)(C)), and any Benchmark Amendments (in accordance with Condition 4.9(c)(D)) by the relevant Interest Determination Date.

An Independent Adviser appointed pursuant to this Condition 4.9(c) as an expert shall act in good faith and in a commercially reasonable manner and in consultation with the Issuer. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Bond Trustee, the Issuing and Paying Agent, the Covered Bondholders or the Couponholders for any determination made by it or for any advice given to the Issuer in connection with any determination made by the Issuer, pursuant to this Condition 4.9(c).

If the Issuer is unable to appoint an Independent Adviser after using its reasonable endeavours, or the Independent Adviser fails to determine a Benchmark Replacement prior to the relevant Interest Determination Date, the Issuer (acting in good faith and in a commercially reasonable manner) may determine the Benchmark Replacement (in accordance with Condition 4.9(c)(B)) and an Adjustment Spread if any (in accordance with Condition 4.9(c)(C)) and any Benchmark Amendments (in accordance with Condition 4.9(c)(D)).

If the Issuer is unable to determine the Benchmark Replacement prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Accrual Period shall be equal to the Rate of Interest last determined in relation to the Covered Bonds in respect of the immediately preceding Interest Accrual Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Accrual Period only and any subsequent Interest Accrual Periods are subject to the subsequent operation of, and to adjustments as provided in, the first paragraph of this Condition 4.9(c)(A).

(B) Benchmark Replacement

The Benchmark Replacement determined by the Independent Adviser or the Issuer (in the circumstances set out in Condition 4.9(c)(A)) shall (subject to adjustment as provided in Condition 4.9(c)(C)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Covered Bonds (subject to the operation of this Condition 4.9(c)).

(C) Adjustment Spread

If the Independent Adviser or the Issuer (in the circumstances set out in Condition 4.9(c)(A)) (as the case may be) determines (i) that an Adjustment Spread is required to be applied to the Benchmark Replacement and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Benchmark Replacement.

(D) Benchmark Amendments

If the Independent Adviser or the Issuer (in the circumstances set out in Condition 4.9(c)(A)) (as the case may be) determines that (i) Benchmark Amendments are necessary to ensure the proper operation of such Benchmark Replacement and/or Adjustment Spread, and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 4.9(c)(E), without any requirement for the consent or approval of the Covered Bondholders, the Bond Trustee or the Agents, vary these Conditions, the Bond Trust Deed and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

At the request of the Issuer, but subject to receipt by the Bond Trustee of a certificate signed by two authorised signatories of the Issuer pursuant to

Condition 4.9(c)(E), the Bond Trustee shall (at the expense of the Issuer), without any requirement for the consent or approval of the Covered Bondholders, be obliged to concur with the Issuer in effecting any Benchmark Amendments (including, *inter alia*, by the execution of a deed supplemental to or amending the Bond Trust Deed), *provided that* the Bond Trustee shall not be obliged so to concur if in the opinion of the Bond Trustee doing so would impose more onerous obligations upon it or expose it to any additional duties, responsibilities or liabilities or reduce or amend the protective provisions afforded to the Bond Trustee in these Conditions or the Bond Trust Deed (including, for the avoidance of doubt, any supplemental trust deed) in any way.

For the avoidance of doubt, the Bond Trustee and the Issuing and Paying Agent shall, at the direction and expense of the Issuer, effect such consequential amendments to the Bond Trust Deed, the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 4.9(c)(D). Covered Bondholders' consent shall not be required in connection with the effecting of the Benchmark Replacement or such other changes, including the execution of any documents or any steps by the Bond Trustee, the Calculation Agent, the Paying Agents, the Registrar or the Transfer Agents (if required). Further, none of the Bond Trustee, the Calculation Agent, the Paying Agents, the Registrar or the Transfer Agents shall be responsible or liable for any determinations, decisions or elections made by the Issuer or the Independent Adviser with respect to any Benchmark Replacement or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

In connection with any such variation in accordance with this Condition 4.9(c)(D), the Issuer shall comply with the rules of any stock exchange on which the Covered Bonds are for the time being listed or admitted to trading.

(E) Notices etc.

The occurrence of a SORA Index Cessation Event shall be determined by the Issuer and any Benchmark Replacement, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 4.9(c) will be notified promptly by the Issuer to the Bond Trustee, the Calculation Agent, the Issuing and Paying Agent, the Rating Agencies and, in accordance with Condition 13, the Covered Bondholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any. For the avoidance of doubt, neither the Bond Trustee, the Calculation Agent nor the Paying Agents shall have any responsibility for making such determination.

No later than notifying the Bond Trustee of the same, the Issuer shall deliver to the Bond Trustee a certificate signed by two authorised signatories of the Issuer:

(x) confirming:

(i) that a SORA Index Cessation Event has occurred;

(ii) the Benchmark Replacement; and

(iii) where applicable, any Adjustment Spread, and/or the specific terms of the Benchmark Amendments,

in each case as determined in accordance with the provisions of this Condition 4.9(c); and

(y) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Benchmark Replacement and/or Adjustment Spread.

The Bond Trustee shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Benchmark Replacement (if any), the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Benchmark Replacement (if any), the Adjustment Spread (if any) or the Benchmark Amendments (if any) and without prejudice to the Bond Trustee's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Bond Trustee, the Calculation Agent, the Paying Agents, the Covered Bondholders and the Couponholders.

(F) Survival of Original Reference Rate

Without prejudice to the obligations of the Issuer under Conditions 4.9(c)(A), 4.9(c)(B), 4.9(c)(C) and 4.9(c)(D), the Original Reference Rate and the fallback provisions provided for in this Condition 4.9(c) will continue to apply unless and until the Calculation Agent has been notified of the Benchmark Replacement, and any applicable Adjustment Spread and Benchmark Amendments, in accordance with Condition 4.9(c)(E).

(G) Definitions

As used in this Condition 4.9(c):

"**Adjustment Spread**" means either a spread (which may be positive, negative or zero) or a formula or methodology for calculating a spread, in either case, which the Independent Adviser or the Issuer (in the circumstances set out in Condition 4.9(c)(A)) (as the case may be) determines is required to be applied to the Benchmark Replacement to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Covered Bondholders and Couponholders as a result of the replacement of the Original Reference Rate with the Benchmark Replacement and is the spread, formula or methodology which:

(x) is formally recommended in relation to the replacement of the Original Reference Rate with the applicable Benchmark Replacement by any Relevant Nominating Body;

(y) if the applicable Benchmark Replacement is the ISDA Fallback Rate, is the ISDA Fallback Adjustment; or

(z) is determined by the Independent Adviser or the Issuer (in the circumstances set out in Condition 4.9(c)(A)) (as the case may be) having given due consideration to any industry-accepted spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of the Original Reference Rate with the applicable Benchmark Replacement for the purposes of determining rates of interest (or the relevant component part thereof) for the same interest accrual period;

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser or the Issuer (in the circumstances set out in Condition 4.9(c)(A)) (as the case may be) determines in accordance with Condition 4.9(c)(B) has replaced the Original Reference Rate in customary market usage in the international or, if applicable, domestic debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) and in the same currency as the Covered Bonds (including, but not limited to, Singapore government bonds);

"**Benchmark Amendments**" means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the timing and frequency of determining rates and making payments of interest, rounding of amounts or tenors and other administrative matters) that the Independent Adviser or the Issuer (in the circumstances set out in Condition 4.9(c)(A)) (as the case may be) determines may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practice (or, if the Independent Adviser or the Issuer (in the circumstances set out in Condition 4.9(c)(A)) (as the case may be) determines that adoption of any portion of such market practice is not administratively feasible or if the Independent Adviser or the Issuer (in the circumstances set out in Condition 4.9(c)(A)) (as the case may be) determines that no market practice for use of such Benchmark Replacement exists, in such other manner as the Independent Adviser or the Issuer (in the circumstances set out in Condition 4.9(c)(A)) (as the case may be) determines is reasonably necessary);

"**Benchmark Replacement**" means the first alternative set forth in the order below that can be determined by the Independent Adviser or the Issuer (in the circumstances set out in Condition 4.9(c)(A)) (as the case may be):

(x) the Successor Rate;

(y) the ISDA Fallback Rate; and

(z) the Alternative Rate;

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by and at the expense of the Issuer under Condition 4.9(c)(A);

"**ISDA Definitions**" means the 2021 ISDA Interest Rates Derivatives Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time;

"**ISDA Fallback Adjustment**" means the spread adjustment (which may be a positive or negative value or zero) that would apply for derivatives transactions referencing the ISDA Definitions to be determined upon the occurrence of an index cessation event with respect to the Original Reference Rate for the applicable tenor;

"**ISDA Fallback Rate**" means the rate that would apply for derivatives transactions referencing the ISDA Definitions to be effective upon the occurrence of an index cessation date with respect to the Original Reference Rate for the applicable tenor excluding the applicable ISDA Fallback Adjustment;

"**Original Reference Rate**" means, initially, SORA (being the originally specified benchmark rate used to determine SORA Benchmark and the Rate of Interest), *provided that* if a SORA Index Cessation Event has occurred with respect to SORA or the then-current Original Reference Rate, then "**Original Reference Rate**" means the Benchmark Replacement;

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(x) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(y) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of:

(i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates;

(ii) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable);

(iii) a group of the aforementioned central banks or other supervisory authorities; or

(iv) the Financial Stability Board or any part thereof;

"**SORA Index Cessation Event**" means:

(x) the Original Reference Rate ceasing to be published for a period of at least five Singapore Business Days or ceasing to exist; or

(y) a public statement by the administrator of the Original Reference Rate that it has ceased or will, by a specified date, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or

(z) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will, by a specified date, be permanently or indefinitely discontinued; or

(aa) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been prohibited from being used or that its use has been subject to restrictions or adverse consequences, or that it will be prohibited from being used or that its use will be subject to restrictions or adverse consequences by a specified date; or

(bb) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate is no longer representative or will, by a specified date, be deemed to be no longer representative; or

(cc) it has become unlawful for the Issuing and Paying Agent, the Calculation Agent, the Issuer or any other party to calculate any payments due to be made to any Covered Bondholder using the Original Reference Rate,

provided that the SORA Index Cessation Event shall be deemed to occur (a) in the case of paragraphs (y) and (z) above, on the date of the cessation of publication of the Original Reference Rate or the discontinuation of the Original Reference Rate, as the case may be, (b) in the case of paragraph (aa) above, on the date of the prohibition of use of the Original Reference Rate and (c) in the case of paragraph (bb) above, on the date with effect from which the Original Reference Rate will no longer be (or will be deemed to no longer be) representative and which is specified in the relevant public statement, and, in each case, not the date of the relevant public statement.

"**Successor Rate**" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body as the

replacement of the Original Reference Rate (which rate may be produced by the Monetary Authority of Singapore or such other administrator).

4.10 Definitions

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(a) in the case of Covered Bonds denominated in a currency other than Euro, Renminbi or Singapore dollars, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and in the principal financial centre for such currency;

(b) in the case of Covered Bonds denominated in Euro, any day on which T2 is open for the settlement of payments in Euro (a "**TARGET Business Day**") and a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London and the principal financial centre for such currency; and/or

(c) in the case of Covered Bonds denominated in Renminbi, if cleared through Euroclear and Clearstream, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London; and/or

(d) in the case of Covered Bonds denominated in Singapore dollars, if cleared through Euroclear and Clearstream, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in London; and/or

(e) in the case of a currency and/or one or more Financial Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Financial Centre(s) or, if no currency is indicated, generally in each of the Financial Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Covered Bond for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(a) if "**Actual/Actual**" or "**Actual/Actual – ISDA**" is specified hereon, the actual number of days in the Calculation Period divided by 365 or, if any portion of that Calculation Period falls in a leap year, the sum of:

(A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366; and

(B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365;

(b) if "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365;

(c) if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360;

(d) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$Day\ Count\ Fraction = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{M_1}$" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{M_2}$" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"$\mathbf{D_1}$" is the first calendar day, expressed as a number, of the Calculation Period, unless such number is 31, in which case D_1 will be 30; and

"$\mathbf{D_2}$" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number is 31 and D_1 is greater than 29, in which case D_2 will be 30;

(e) if "**30E/360**" or "**Eurobond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$Day\ Count\ Fraction = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"$\mathbf{Y_1}$" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"$\mathbf{Y_2}$" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number is 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number is 31, in which case D_2 will be 30;

(f) if "**30E/360 (ISDA)**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$Day\ Count\ Fraction = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y_1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y_2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M_1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M_2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D_1**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number is 31, in which case D_1 will be 30; and

"**D_2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number is 31, in which case D_2 will be 30;

(g) if "**Actual/Actual – ICMA**" is specified hereon:

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of:

(x) the number of days in such Determination Period; and

(y) the number of Determination Periods normally ending in any year; and

(B) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of:

(i) the number of days in such Determination Period; and

(ii) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of:

(i) the number of days in such Determination Period; and

(ii) the number of Determination Periods normally ending in any year,

where:

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s); and

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date; and

(h) if "**RBA Bond Basis**" is specified in the applicable Pricing Supplement, and means one divided by the number of Interest Payment Dates in a year or where the Calculation Period does not constitute an Interest Period, the actual number of days in the Calculation Period divided by 365 or, if any portion of the Calculation Period falls in a leap year, the sum of:

(A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366; and

(B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365.

"**CNY**" or "**Renminbi**" means the lawful currency of the PRC.

"**Euro**" means the currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended from time to time.

"**Euro-zone**" means the region comprising member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

"**Extended Due for Payment Date**" means the date, if any, specified hereon to which the payment of all or (as applicable) part of the Final Redemption Amount payable on the Maturity Date will be deferred in the event that the Final Redemption Amount is not paid in full on the Extension Determination Date.

"**Extension Determination Date**" means the date falling two Business Days after the expiry of 14 days starting on (and including) the Maturity Date.

"**HKD**" or "**Hong Kong dollars**" means the lawful currency of Hong Kong.

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period End Date and each successive period beginning on (and including) an Interest Period End Date and ending on (but excluding) the next succeeding Interest Period End Date.

"**Interest Amount**" means:

(a) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Covered Bonds, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(b) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified:

(a) the first day of such Interest Accrual Period if the Specified Currency is Sterling (and in such case only if the relevant Reference Rate is not SONIA Benchmark), Hong Kong Dollars or Renminbi;

(b) the day falling two Business Days in the relevant Financial Centre for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is not Sterling, Hong Kong Dollars, Euro or Renminbi and if the relevant Reference Rate is not SONIA Benchmark, SOFR Benchmark or SORA Benchmark;

(c) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is Euro;

(d) (only if the relevant Reference Rate is SONIA Benchmark) the fifth London Business Day (or as otherwise specified in the applicable Pricing Supplement) prior to the last day of each Interest Accrual Period;

(e) (only if the relevant Reference Rate is SOFR Benchmark and "SOFR Observation Lag" or "SOFR Observation Shift" has been specified as applicable in the applicable Pricing Supplement to determine Compounded Daily SOFR or where SOFR Index Average has been specified as applicable in the applicable Pricing Supplement) the fifth U.S. Government Securities Business Day (or as otherwise specified in the applicable Pricing Supplement) prior to the last day of each Interest Accrual Period;

(f) (only if the relevant Reference Rate is SOFR Benchmark and "SOFR Payment Delay" has been specified as applicable in the applicable Pricing Supplement to determine Compounded Daily SOFR) has the meaning given to it in Condition 4.2(c)(E)(x)(iii); and

(g) (only if the relevant Reference Rate is SORA Benchmark) has the meaning given to it in Condition 4.2(c)(C)(x)(i), 4.2(c)(C)(x)(ii) or 4.2(c)(C)(x)(iii), as applicable.

"**Interest Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

"**Interest Period End Date**" means each Interest Payment Date unless otherwise specified hereon.

"**ISDA Definitions**" means the 2021 ISDA Interest Rates Derivatives Definitions, as published by the International Swaps and Derivatives Association, Inc. or any successor thereto (as may be updated, amended or supplemented from time to time), or any successor definitional booklet for interest rate derivatives published from time to time, unless otherwise specified hereon.

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Covered Bond and that is either specified or calculated in accordance with the provisions hereon.

"**Reference Banks**" means:

(a) in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone interbank market; and

(b) in the case of a determination of HIBOR, the principal Hong Kong office of four major banks in the Hong Kong interbank market,

in each case selected by the Issuer or as specified hereon.

"**Reference Rate**" means the rate specified as such hereon or such other page, section, caption, column or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon (or any such successor or replacement page, section, caption, column or other party of a particular information service).

"**Relevant Time**" means, with respect to any Interest Determination Date, the local time in the relevant Financial Centre specified hereon or, if none is specified, the local time in the relevant financial centre at which it is customary to determine bid and offered rates in respect of deposits in the relevant currency in the interbank market in the relevant financial centre or, if no such customary local time exists, 11:00 a.m. in the relevant financial centre and, for the purpose of this definition, "**local time**" means, with respect to the Euro-zone as a relevant financial centre, Central European Time.

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Covered Bonds are denominated.

"**Sterling**" means the lawful currency of the UK.

"**T2**" means the real time gross settlement system operated by the Eurosystem, or any successor system.

"**U.S. Government Securities Business Day**" means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for the purpose of trading in U.S. government securities.

4.11 Calculation Agent

The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Covered Bond is outstanding (as defined in the Bond Trust Deed). Where more than one Calculation Agent is appointed in respect of the Covered Bonds, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period, as the case may be, or to comply with any other requirement, the Issuer shall (with the prior approval of the Bond Trustee) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal in Hong Kong office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

4.12 Interest Rate and Payments in the event of an extension of maturity of the Covered Bonds

If an Extended Maturity Date is specified in the relevant Pricing Supplement and the maturity of the Covered Bonds is extended beyond the Maturity Date in accordance with Condition 6.2, the following provisions shall apply:

(a) Each Covered Bond shall bear interest on its outstanding nominal amount from (and including) the Maturity Date to (but excluding) the earlier of the relevant Interest Payment Date after the Maturity Date on which it is redeemed in full and the Extended Maturity Date.

(b) Such interest shall be payable in arrear on each such Interest Payment Date falling after the Maturity Date, in respect of the interest periods beginning on (and including) the Maturity Date and ending on (but excluding) the first Interest Payment Date after the Maturity Date and each subsequent interest period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date, subject as otherwise provided in the relevant Pricing Supplement. The final Interest Payment Date shall fall no later than the Extended Maturity Date.

(c) The rate of interest payable in respect of the outstanding nominal amount on each Covered Bond on each such Interest Payment Date falling after the Maturity Date will be a floating rate as specified in the relevant Pricing Supplement and, where applicable, determined by the Calculation Agent as specified in the relevant Pricing Supplement.

This Condition 4.12 shall only apply to the Covered Bonds in respect of which an Extended Maturity Date is specified in the applicable Pricing Supplement and only if the Issuer fails to redeem those Covered Bonds (in full) on the Maturity Date (or within 10 days thereafter) and the maturity of those Covered Bonds is automatically extended up to the Extended Maturity Date in accordance with Condition 6.2.

5 PAYMENTS

5.1 Payments in respect of Bearer Covered Bonds

Payments of principal and interest in respect of Bearer Covered Bonds shall, subject as mentioned below, be made against presentation and surrender of the relevant Covered Bonds (in the case of interest, as specified in Condition 5.7(e)) or Coupons (in the case of interest, save as specified in Condition 5.7(b)), as the case may be, at the specified office of any Paying Agent outside the United States by transfer to an account denominated in such currency with a Bank. In this Condition 5.1 and Condition 5.2, "**Bank**" means a bank in the principal financial centre for such currency or, in the case of Euro, in a city in which banks have access to T2.

5.2 Payments in respect of Registered Covered Bonds

Payments of principal in respect of each Registered Covered Bond (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of

any sum due, endorsement) of the Covered Bond at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Covered Bond appearing in the register of holders of the Covered Bonds maintained by the Registrar (the "**Register**") at the close of business on the third Business Day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. Payment of interest on each Registered Covered Bond shall be made in the relevant currency by transfer to an account in the relevant currency maintained by the payee with a Bank.

None of the Issuer, the Bond Trustee or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

5.3 General provisions applicable to payments

The holder of a Global Certificate shall be the only person entitled to receive payments in respect of Covered Bonds represented by such Global Certificate and the Issuer and the Bond Trustee will be discharged by payment to, or to the order of, the holder of such Global Certificate in respect of each amount so paid. Each of the persons shown in the records of DTC, Euroclear, Clearstream or the CMU as the holder of a particular nominal amount of Covered Bonds represented by such Global Certificate must look solely to DTC, Euroclear, Clearstream or the CMU for his share of each payment so made by the Issuer or the Bond Trustee to, or to the order of, the holder of such Global Certificate.

5.4 Payments in the United States

Notwithstanding the foregoing, if any Bearer Covered Bonds are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payments of the amounts on the Covered Bonds in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

5.5 Payments Subject to Applicable Laws

Payments in respect of principal and interest on Covered Bonds are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 7.

5.6 No Commissions

No commissions or expenses shall be charged to the Covered Bondholders in respect of any payments of principal or interest in respect of the Covered Bonds made in accordance with Condition 5.5.

5.7 Unmatured Coupons and unexchanged Talons

(a) Upon the due date for redemption of Bearer Covered Bonds which comprise Fixed Rate Covered Bonds, such Covered Bonds should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 8).

(b) Upon the due date for redemption of any Bearer Covered Bond comprising a Floating Rate Covered Bond, unmatured Coupons relating to such Covered Bond (whether or not attached) shall become void and no payment shall be made in respect of them.

(c) Upon the due date for redemption of any Bearer Covered Bond, any unexchanged Talon relating to such Covered Bond (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(d) Where any Bearer Covered Bond that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Covered Bonds is presented for redemption without all unmatured Coupons, and where any Bearer Covered Bond is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity and/or security as the Issuer or the relevant Agent may require.

(e) If the due date for redemption of any Covered Bond is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest of the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Covered Bond or Certificate representing it, as the case may be. Interest accrued on a Covered Bond that only bears interest after its Maturity Date shall be payable on redemption of such Covered Bond against presentation of the relevant Covered Bond or Certificate representing it, as the case may be.

5.8 Talons

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Covered Bond, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent in exchange for a

further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 8).

5.9 Payment Day

If the date for payment of any amount in respect of any Covered Bond or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "**Payment Day**" means any day which (subject to Condition 8) is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:

(a) the relevant place of presentation; and

(b) such other jurisdictions as shall be specified as "**Financial Centres**" in the applicable Pricing Supplement.

5.10 Interpretation of Principal and Interest

Any reference in these Conditions to principal in respect of the Covered Bonds shall be deemed to include, as applicable:

(a) any additional amounts which may be payable with respect to principal under Condition 7 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Bond Trust Deed;

(b) the Final Redemption Amount of the Covered Bonds;

(c) the Early Redemption Amount of the Covered Bonds; and

(d) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Covered Bonds.

Any reference in these Conditions to interest in respect of the Covered Bonds shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Bond Trust Deed.

6 REDEMPTION, PURCHASE AND EXCHANGE

6.1 Final Redemption

Unless previously redeemed or purchased and cancelled as specified below, each Covered Bond will be redeemed by the Issuer at its Final Redemption Amount on the Maturity Date specified in the relevant Pricing Supplement, subject to Condition 6.2 if an Extended Maturity Date is specified in the relevant Pricing Supplement.

6.2 Extension of maturity up to Extended Maturity Date

(a) An Extended Maturity Date may be specified in the relevant Pricing Supplement as applying to the relevant Series of Covered Bonds, and this Condition 6.2 shall only apply to the relevant Series of Covered Bonds if an Extended Maturity Date is specified in the relevant Pricing Supplement.

(b) If an Extended Maturity Date is specified in the relevant Pricing Supplement as applicable and the Issuer fails to redeem all of the relevant Series of Covered Bonds in full on the Maturity Date or within 10 days thereafter, the maturity of the Covered Bonds and the date on which such Covered Bonds will be due and payable for the purposes of these Conditions will be automatically extended up to but no later than the Extended Maturity Date, subject as otherwise provided for in the relevant Pricing Supplement. The Issuer (or, if the Bond Trustee has given an Issuer Default Notice pursuant to Condition 9.1, the Asset Monitor on behalf of the Issuer) shall give notice to the holders of Covered Bonds (in accordance with Condition 13) and to the Bond Trustee, the Paying Agents and the Rating Agencies in writing at least five Business Days prior to the Maturity Date confirming whether or not it intends to redeem all or any of the Principal Amount Outstanding of the Covered Bonds on the Maturity Date or within 10 days thereafter. Any failure by the Issuer to notify such persons shall not affect the validity or effectiveness of any redemption by the Issuer on the Maturity Date or within 10 days thereafter or, as the case may be, of any extension of the maturity of the Covered Bonds, or give rise to rights to any such persons.

(c) Following an extension of the date on which the relevant Series of Covered Bonds will be due and payable to the Extended Maturity Date, the Issuer may redeem all or any part of the Principal Amount Outstanding of the Covered Bonds on any Interest Payment Date falling after the Maturity Date up to and including the Extended Maturity Date or as otherwise provided in the relevant Pricing Supplement. The Issuer (or, if the Bond Trustee has given an Issuer Default Notice pursuant to Condition 9.1, the Asset Monitor on behalf of the Issuer) shall give notice to the holders of Covered Bonds (in accordance with Condition 13) and to the Bond Trustee and the Paying Agents in writing of its intention to redeem all or any of the Principal Amount Outstanding of the Covered Bonds at least five Business Days prior to the relevant Interest Payment Date or, as applicable, the Extended Maturity Date (such amount to be redeemed to be determined, following the giving of an Issuer Default Notice, in accordance with the applicable priority of payments as set out in the Programme Deed). Any failure by the Issuer to notify such persons shall not affect the validity or effectiveness of any redemption by the Issuer on a relevant Interest Payment Date or, as applicable, the Extended Maturity Date or give rise to rights to any such persons.

(d) Any extension of the maturity of the Covered Bonds under this Condition 6.2 shall be irrevocable.

(e) In the event of the extension of the maturity of the Covered Bonds under this Condition 6.2, interest rates, interest periods and interest payment dates on the Covered Bonds from (and including) the Maturity Date to (but excluding) the Extended Maturity Date shall be determined and made in accordance with the terms specified in the applicable Pricing Supplement and Condition 4.12.

(f) If the Issuer redeems part and not all of the Principal Amount Outstanding of the Covered Bonds on any Interest Payment Date falling after the Maturity Date, the redemption proceeds shall be applied rateably across the Covered Bonds and the Principal Amount Outstanding of the Covered Bonds shall be reduced by the level of that redemption.

6.3 Redemption for tax reasons

The Covered Bonds may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if the relevant Covered Bond is a Floating Rate Covered Bond) or at any time (if the relevant Covered Bond is not a Floating Rate Covered Bond), on giving not less than 30 nor more than 60 days' notice to the Bond Trustee (with a copy of such notice to the Rating Agencies) and, in accordance with Condition 13, the Covered Bondholders (which notice shall be irrevocable), if the Issuer satisfies the Bond Trustee immediately before the giving of such notice that:

(a) on the occasion of the next payment due under the Covered Bonds, the Issuer has or will become obliged to pay any additional amounts described in Condition 7 because of the imposition of certain Korean taxes on principal, interest or premium in respect of the Covered Bonds as provided or referred to in Condition 4, Condition 5 or Condition 6 as a result of any change in, or amendment to, the laws or regulations of any applicable jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the Covered Bonds; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it;

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Covered Bonds then due.

Prior to the publication of any notice of redemption pursuant to this Condition 6.3, the Issuer shall deliver to the Bond Trustee a certificate signed by two directors or one duly authorised officer of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and the Bond Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Covered Bondholders.

Covered Bonds redeemed pursuant to this Condition 6.3 will be redeemed at their Early Redemption Amount referred to in Condition 6.6.

6.4 Redemption due to a Change of Control

The Issuer will be obliged to redeem the Covered Bonds in whole, but not in part, within 30 days, if at any time prior to the service of an Issuer Default Notice by the Bond Trustee,

the Issuer is subject to a "**Change of Control**". For these purposes of this Condition 6.4, "**Change of Control**" will mean that the Korean state ceases to own or control directly or indirectly at least 51 per cent. of the voting rights of, or equity interest in, the Issuer. Covered Bonds redeemed pursuant to this Condition 6.4 will be redeemed at their Early Redemption Amount referred to in Condition 6.6.

6.5 Redemption due to changes in the KHFC Act

The Issuer will be obliged to redeem the Covered Bonds in whole, but not in part, if at any time prior to the service of an Issuer Default Notice by the Bond Trustee, the KHFC Act is amended, repealed or judicially impaired with the effect that the obligation of the Korean government to cover losses incurred by KHFC under Article 51 of the KHFC Act is materially reduced or removed. Covered Bonds redeemed pursuant to this Condition 6.5 will be redeemed at their Early Redemption Amount referred to in Condition 6.6.

6.6 Early Redemption Amounts

(a) Zero Coupon Covered Bonds:

(A) For the purposes of Conditions 6.3, 6.4 and 6.5, each Zero Coupon Covered Bond will be redeemed at the Amortised Faced Amount (calculated as provided below) of such Covered Bonds unless otherwise specified in the applicable Pricing Supplement.

(B) Subject to the provisions of paragraph (C) below, the "Amortised Face Amount" of any such Covered Bond shall be the scheduled Final Redemption Amount of such Covered Bond on its Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown in the applicable Pricing Supplement, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the relevant Series of Covered Bonds if they were discounted back to their issue price on their Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Covered Bond upon its redemption pursuant to Conditions 6.3, 6.4 or 6.5 is not paid when due, the Early Redemption Amount due and payable in respect of such Covered Bond shall be the Amortised Face Amount of such Covered Bond as defined in paragraph (B) above, except that such paragraph shall have effect as though the date on which the Cover Bond becomes due and payable were the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Covered Bond on its Maturity Date together with any interest that may accrue in accordance with Condition 4.

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown in the applicable Pricing Supplement.

(b) Other Covered Bonds: For the purposes of Conditions 6.3, 6.4 and 6.5, each Covered Bond (other than Covered Bonds described in paragraph (a) above) will be redeemed at its Early Redemption Amount being the Principal Amount Outstanding of the Covered Bond plus accrued and unpaid interest up to (but excluding) the date of redemption (the "**Early Redemption Amounts**").

6.7 Purchases

The Issuer may at any time purchase or otherwise acquire Covered Bonds or interests therein at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Covered Bondholders alike. Such Covered Bonds may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent and/or the Registrar for cancellation. The Covered Bonds so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meetings of the Covered Bondholders and shall not be deemed to be outstanding for certain purposes, including without limitation for the purposes of calculating quorums at meetings of the Covered Bondholders or for the purposes of Conditions 9 and 14.1.

6.8 Exchange

The Issuer may at its option offer, at any time on the giving of not less than 30 nor more than 60 days' notice to the Bond Trustee and, in accordance with Condition 13, the Covered Bondholders (which notice shall be irrevocable) to exchange the Covered Bonds of all holders with new Covered Bonds of the Issuer issued under a covered bond programme on substantially similar terms to the Covered Bonds. Such exchange can take place only with the unanimous vote of all Covered Bondholders.

6.9 Cancellation

All Covered Bonds which are redeemed will forthwith be cancelled. All Covered Bonds so cancelled and any Covered Bonds purchased and cancelled pursuant to Condition 6.7 shall be forwarded to the Issuing and Paying Agent and cannot be reissued or resold.

In these Conditions, "**Final Redemption Amount**" means, the Principal Amount Outstanding of the Covered Bonds together with accrued and unpaid interest to the Maturity Date.

7 TAXATION

All payments of principal and interest in respect of the Covered Bonds and the Coupons by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction, unless such withholding or deduction is required by law. In the event of such a withholding or deduction being made by the Issuer in respect of a payment, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Covered Bonds and the Coupons, after such withholding or deduction, shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the

Covered Bonds, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Covered Bond or Coupon:

(a) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Covered Bond or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Covered Bond or Coupon, the receipt of payments thereunder or the enforcement of its rights thereunder; or

(b) presented for payment more than 30 days after the Relevant Date (as defined in Condition 7(b)(B)) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such 30th day, assuming that day to have been a Payment Day (as defined in Condition 5.10).

Notwithstanding any other provision of the Conditions, any amounts to be paid on the Covered Bonds by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA Withholding**"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

As used in these Conditions:

(A) "**Tax Jurisdiction**" means the Republic of Korea and any political subdivision or any authority thereof or therein having power to tax; and

(B) the "**Relevant Date**", in respect of any Covered Bond or Coupon, means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Bond Trustee or the Issuing and Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Covered Bondholders in accordance with Condition 13.

8 PRESCRIPTION

The Covered Bonds will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7(b)(B)).

The Issuer shall be discharged from its obligation to pay principal on a Covered Bond to the extent that the relevant certificate has not been surrendered to the Registrar by the end of the period of 10 years from the Relevant Date for such payment.

9 EVENTS OF DEFAULT AND ENFORCEMENT

9.1 Issuer Events of Default

The Bond Trustee at its discretion may (except in relation to the default set out in Conditions 9.1(a), (e) and (f), in which case the Bond Trustee shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction)), and if so requested in writing by the holders of not less than 25 per cent. of the Principal Amount Outstanding of the Covered Bonds of the relevant Series and the Covered Bonds of all other Series then outstanding as if they were all a single Series or if so directed by an Extraordinary Resolution of the Covered Bondholders of all outstanding Series as if they were all a single Series shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), give notice (an "**Issuer Default Notice**") in writing to the Issuer (with a copy to the Asset Monitor and the Rating Agencies), if any of the following events (each an "**Issuer Event of Default**") shall occur and be continuing:

(a) a default by the Issuer in payment when due and payable of any interest on or principal of a Covered Bond (including, in respect of Covered Bonds for which an Extended Maturity Date is specified, default in the payment of principal in full on the Maturity Date) and such default has remained unremedied for five Business Days thereafter;

(b) a default by the Issuer in the performance of any obligation (other than any obligation for payment of principal or interest in respect of a Covered Bond, the Pre-Maturity Test (for which Condition 9.1(f) applies) or the Asset Coverage Test (for which Condition 9.1(e) applies)) in any material respect under the provisions of the Covered Bonds of any Series, the Bond Trust Deed or any other Transaction Document to which the Issuer is a party which shall continue for more than 30 days after written notification by the counterparty of such default to the Issuer requiring that such default be remedied;

(c) if proceedings are initiated against the Issuer under any applicable liquidation, winding-up, insolvency, bankruptcy, composition, rehabilitation or other similar laws (including, but not limited to, presentation of a petition or the filing of documents with a court or any registrar for its winding up, administration or dissolution or the giving notice of the intention to appoint an administrator (whether out of court or otherwise)), or a receiver and/or manager, administrative receiver, bankruptcy administrator, bankruptcy trustee or other similar official shall be appointed (whether out of court or otherwise) in relation to the Issuer or in relation to the whole or any part of its assets, or a distress, diligence or execution or other process shall be levied or enforced upon or sued out against the whole or any substantial part of its assets, or if the Issuer shall initiate or consent to judicial proceedings relating to itself under any applicable liquidation, winding-up, insolvency, bankruptcy, composition, rehabilitation or other similar laws or shall make a conveyance or assignment on behalf of, or shall enter into any composition with, its creditors generally;

(d) the Issuer shall fail generally to pay its debts as they become due, or shall admit in writing failure to do so or shall make any general assignment for the benefit of creditors, or shall take any corporate act in furtherance of any of the foregoing;

(e) a failure by the Issuer to satisfy the Asset Coverage Test on any Calculation Date which has not been cured by the second occurring Calculation Date;

(f) the Pre-Maturity Test in respect of any Series of Hard Bullet Covered Bonds, specified as such in the Pricing Supplement, is breached during the Pre-Maturity Test Period of such Series of Hard Bullet Covered Bonds and the Issuer either (A) fails to open the PMT Cash Account in accordance with **Clause 11.14 (Opening of the PMT Cash Account)** of the Programme Deed or the PMT Securities Account in accordance with **Clause 11.18 (Opening of the PMT Securities Account)** of the Programme Deed or (B) does not add Pre-Maturity Liquidity Assets to the PMT Cash Account, the PMT Securities Account and/or the Pre-Maturity Liquidity Ledger of the Reserve Cash Account and/or of the Reserve Securities Account with a Pre-Maturity Liquidity Assets Value at least equal to the Won Equivalent of the Series Required Redemption Amount, in each case, on or before the earlier of (1) 20 Seoul Business Days following such failure of the Pre-Maturity Test; and (2) the Maturity Date of such Series of Hard Bullet Covered Bonds (such earlier date, the "**Series Required Redemption Amount Cut-off Date**"), except where the Pre-Maturity Test Cure Requirement is satisfied in respect of all Series of Hard Bullet Covered Bonds which are scheduled to mature within 12 months of such Pre-Maturity Test Date on or prior to the Series Required Redemption Amount Cut-off Date, or (B) in relation to all PMT Ongoing Test Series, the Issuer fails to add Pre-Maturity Liquidity Assets to the Pre-Maturity Liquidity Ledger of the Reserve Cash Account and/or of the Reserve Securities Account, the PMT Cash Account and/or the PMT Securities Account with a Pre-Maturity Liquidity Assets Value at least equal to the PMT Shortfall Amount (if any) in respect of a PMT Shortfall Valuation Date on or before the immediately succeeding PMT Shortfall Valuation Date, except where the Pre-Maturity Test Cure Requirement is satisfied on any Pre-Maturity Test Date during the period from the date of determination of such PMT Shortfall Amount to (and including) such immediately succeeding PMT Shortfall Valuation Date; or

(g) a Swap Provider has delivered to the Issuer and the Bond Trustee a Counterparty Replacement Notice (as defined in the Swap Agreements) following the occurrence of an Event of Default under any Swap Agreement (as defined therein) where the Issuer is the Defaulting Party or a Termination Event under the Swap Agreements (as defined therein) where the Issuer is the sole Affected Party (as defined therein).

Following the occurrence of an Issuer Event of Default and the service of an Issuer Default Notice, the Covered Bonds will not accelerate until and unless (i) a Covered Bond Event of Default has occurred and is continuing and the Bond Trustee has given a Covered Bond Acceleration Notice to the Issuer and the Asset Monitor or (ii) the Bond Trustee, if requested in writing by the holders of not less than 67 per cent. of the Principal Amount Outstanding of the Covered Bonds of the relevant Series and the Covered Bonds of all other Series then outstanding as if they were all a single Series, shall give notice in writing to the Issuer and the Asset Monitor directing an acceleration of the Covered Bonds (an "**Early Acceleration Notice**") and in the case of the occurrence of the events described in either of paragraph (i) or (ii) above the Covered Bonds shall thereupon immediately become due and payable at the Early Redemption Amount.

9.2 Covered Bond Events of Default

The Bond Trustee at its discretion may (except in relation to the default set out in Condition 9.2(b) in which case the Bond Trustee shall), or if so requested in writing by the holders of not less than 25 per cent. of the Principal Amount Outstanding of the Covered Bonds of the relevant Series and the Covered Bonds of all other Series then outstanding as if they were all a single Series or if so directed by an Extraordinary Resolution of the Covered Bondholders of all outstanding Series as if they were all a single Series in relation to any default set out in Conditions 9.2(b) to (e) (both inclusive) shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), give notice (a "**Covered Bond Acceleration Notice**") in writing to the Issuer and the Asset Monitor (with a copy to the Rating Agencies), and the Covered Bonds shall thereupon immediately become due and repayable at the Early Redemption Amount, if, at any time following the service of an Issuer Default Notice, any of the following events (each a "**Covered Bond Event of Default**") shall occur and be continuing:

(a) failure to satisfy the Amortisation Test, and the Issuer fails to bring the Cover Pool into compliance with the Amortisation Test within 30 days of such breach;

(b) following an Issuer Event of Default, there has occurred and is continuing a default in payment of any interest on or principal of a Covered Bond when due and payable and such default remains unremedied for five Business Days thereafter;

(c) the Programme Deed or the Bond Trust Deed has ceased to be in full force or effect;

(d) following an Issuer Event of Default, the Asset Monitor is removed or resigns and is not replaced with a qualified successor pursuant to the terms of the Programme Deed within 90 days of such removal or resignation; or

(e) the KHFC Act is amended or repealed or judicially impaired with the effect that the priority claim of the Bond Trustee on behalf of the Covered Bondholders on the Mortgage Loans and other assets in the Cover Pool as in effect on the relevant Issue Date is materially impaired.

9.3 Notice to Pay

Upon the Covered Bonds becoming immediately due and repayable against the Issuer pursuant to Condition 9.1, the Bond Trustee shall as soon as practicable serve a notice to pay (the "**Notice to Pay**") on the Issuer, and the Issuer shall be required to make payments of the Early Redemption Amount in accordance with the terms of the Bond Trust Deed; *provided that* a Notice to Pay will be deemed to have been served on the Issuer at the time that an Early Acceleration Notice or Covered Bond Acceleration Notice, as applicable, is given to the Issuer under Condition 9.1 or Condition 9.2.

Following the occurrence of an Issuer Event of Default or the occurrence of a Covered Bond Event of Default (as the case may be), and service of a Covered Bond Acceleration Notice, the Bond Trustee may or shall take such proceedings against the Issuer in accordance with Condition 9.4.

9.4 Enforcement

The Bond Trustee may at any time after service of an Early Acceleration Notice or a Covered Bond Acceleration Notice, at its absolute discretion and without further notice, take such proceedings against the Issuer and/or any other person as it may think fit to enforce the provisions of the Bond Trust Deed and the Covered Bonds including, without limitation, the rights of the Covered Bondholders in the Cover Pool Assets, but it shall not be bound to take any such enforcement proceedings in relation to the Bond Trust Deed, the Covered Bonds or any other Transaction Document unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of not less than 25 per cent. of the Principal Amount Outstanding of the Covered Bonds then outstanding and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

9.5 Proceedings

No Covered Bondholder shall be entitled to proceed directly against the Issuer or to take any action with respect to the Bond Trust Deed, unless the Bond Trustee having become bound so to proceed, fails so to do for a period of 30 days and the failure shall be continuing.

10 REPLACEMENT OF COVERED BONDS

If a Bearer Covered Bond, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Issuing and Paying Agent (in the case of Bearer Covered Bonds, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Covered Bondholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Bearer Covered Bond, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Bearer Covered Bonds, Certificates, Coupons or further Coupons) or Talons and otherwise as the Issuer and/or Agent may require in their sole discretion. Mutilated or defaced Bearer Covered Bonds, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

11 FURTHER ISSUES

The Issuer may from time to time without the consent of the Covered Bondholders or Couponholders create and issue further covered bonds either having the same terms and conditions as the Covered Bonds in all respects (or in all respects except for the issue date and the first payment of interest on them) and so that such further issue shall be consolidated and form a single Series with the outstanding Covered Bonds of any Series (including the Covered

Bonds) or upon such terms as the Issuer may determine at the time of their issue, subject to the Bond Trustee first receiving written confirmation from the Issuer that:

(a) the Asset Coverage Test was satisfied on the previous Calculation Date and will continue to be satisfied after the issue of any further covered bonds; and

(b) no Issuer Event of Default has occurred or will occur as a consequence of the issue of any further covered bonds.

References in these Conditions to the Covered Bonds include (unless the context requires otherwise) any further covered bonds issued pursuant to this Condition 11 and forming a single Series with the Covered Bonds of any Series. Any further Covered Bonds forming a single Series with the outstanding securities of any Series (including the Covered Bonds) constituted by the Bond Trust Deed of any deed supplemental to it shall, and any other Covered Bonds may (with the consent of the Bond Trustee), be constituted by the Bond Trust Deed. The Bond Trust Deed contains provisions for convening a single meeting of the Covered Bondholders and the holders of Covered Bonds of other Series in certain circumstances. The Issuer shall notify each Rating Agency upon the issue of any further Covered Bonds.

12 PAYING AGENTS

The Issuer is entitled, with the prior written approval of the Bond Trustee, to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts; *provided that*:

(a) there will at all times be an Issuing and Paying Agent and a Registrar (in relation to Registered Covered Bonds), which may be the Issuing and Paying Agent, and a Transfer Agent (in relation to Registered Covered Bonds) which may be the Registrar; and

(b) so long as the Covered Bonds are listed and/or admitted to trading on or by any competent listing authority, on any stock exchange or market, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant competent listing authority, stock exchange or market.

Notice of any termination or appointment and of any changes in specified offices shall be given by the Issuer to the Covered Bondholders and the Bond Trustee in accordance with the Agency Agreement.

Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Covered Bondholders in accordance with Condition 13.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and, in certain circumstances specified therein, of the Bond Trustee and do not assume any obligation to, or relationship of agency or trust with, any Covered Bondholders. The Agency Agreement

contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

13 NOTICES

13.1 Notices to the Covered Bondholders

All notices regarding the Registered Covered Bonds will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing. All notices regarding the Bearer Covered Bonds will be deemed to be validly given if published in a daily newspaper of general circulation in Singapore (which is expected to be the *Business Times*). In addition, for so long as any Covered Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, all notices regarding the Covered Bonds will be given in a manner which complies with such rules. Any such notice will be deemed to have been given on the date of such publication.

So long as the Covered Bonds are represented in their entirety by any Global Certificates held on behalf of DTC, Euroclear, Clearstream or the CMU, notices may be given by the delivery of the relevant notice to DTC, Euroclear, Clearstream or the CMU for communication by them to the holders of the Covered Bonds and, in addition, for so long as any Covered Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, such notice will be given in a manner which complies with such rules. Any such notice is deemed to have been given to the holders of the Covered Bonds on the third day after the day on which the said notice was given to DTC, Euroclear, Clearstream or the CMU.

13.2 Notices by the Covered Bondholders

Notices to be given by any Covered Bondholder shall be in writing and given by lodging the same, together (in the case of any Covered Bond in definitive form) with the relative Covered Bond or Covered Bonds, with the Registrar.

Whilst any of the Covered Bonds are represented by a Global Certificate, such notice may be given by any holder of a Covered Bond to the Issuing and Paying Agent or the Registrar through DTC, Euroclear, Clearstream or the CMU, as the case may be, in such manner as the Issuing and Paying Agent, the Registrar and DTC, Euroclear, Clearstream or the CMU, as the case may be, may approve for this purpose.

14 MEETINGS OF COVERED BONDHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

14.1 Meetings of Covered Bondholders

The Bond Trust Deed contains provisions for convening meetings of the Covered Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the terms of the Covered Bonds or of any of the Transaction Documents (subject as

provided below and in the Bond Trust Deed). Such a meeting may be convened by the Issuer or the Bond Trustee and shall be convened by the Bond Trustee if required in writing by Covered Bondholders holding not less than 10 per cent. of the Principal Amount Outstanding of the Covered Bonds for the time being remaining outstanding. The quorum at any such meeting in respect of Covered Bonds for passing an Extraordinary Resolution is two or more persons holding or representing not less than 50 per cent. of the Principal Amount Outstanding of the Covered Bonds for the time being outstanding, or at any adjourned meeting, two or more persons being or representing Covered Bondholders whatever the nominal amount of the Covered Bonds so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the terms of the Covered Bonds or the Bond Trust Deed (including a reduction or cancellation of the amount payable in respect of such Covered Bonds, the alteration of the currency in which payments under such Covered Bonds are to be made and the alteration of the majority required to pass an Extraordinary Resolution), the quorum shall be two or more persons holding or representing not less than 75 per cent. of the Principal Amount Outstanding of the Covered Bonds for the time being outstanding, or at any adjourned such meeting two or more persons holding or representing not less than 25 per cent. of the Principal Amount Outstanding of the Covered Bonds for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Covered Bondholders shall, subject as provided below, be binding on all the Covered Bondholders, whether or not they are present at the meeting.

14.2 Modification, Waiver, Authorisation and Determination

(a) Subject to Condition 14.2(b), the Bond Trustee and the Issuer may agree, without the consent of the Covered Bondholders or Couponholders to:

(A) any modification (other than a modification relating to a Series Reserved Matter) of the Conditions applying to the Covered Bonds of any Series or any Transaction Document; *provided that* in the opinion of the Bond Trustee such modification is not materially prejudicial to the interests of any of the Covered Bondholders; or

(B) any modification of the Conditions applying to the Covered Bonds of any Series or any Transaction Document which in the opinion of the Bond Trustee is of a formal, minor or technical nature or is made to correct a manifest error or an error established as such to the satisfaction of the Bond Trustee or to comply with mandatory provisions of law.

The Bond Trustee may also agree, without the consent of the Covered Bondholders or Couponholders, to the waiver or authorisation of any breach or proposed breach of any of the provisions of the Covered Bonds, or determine, without any such consent as aforesaid, that any Issuer Event of Default or Covered Bond Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Bond Trustee, materially prejudicial to the interests of any of the Covered Bondholders, *provided that* the Bond Trustee shall not do so in contravention of an express direction given by an Extraordinary Resolution or a request made pursuant to this Condition 14.

Prior to the Bond Trustee agreeing to any modification, waiver, authorisation or determination pursuant to this Condition 14.2(a), the Issuer must send written

confirmation to the Bond Trustee that such modification, waiver, authorisation or determination, as applicable, would not result in the Covered Bonds failing to comply with the provisions of the KHFC Act relating to "mortgage-backed bonds", as defined in the KHFC Act.

(b) Notwithstanding Condition 14.2(a) and subject to the terms of the Bond Trust Deed, the Bond Trustee shall, without the consent of the Covered Bondholders or Couponholders, be obliged to concur with the Issuer in making any modification (other than a modification relating to a Series Reserved Matter) to the Conditions applying to the Covered Bonds of any Series or any Transaction Document to which it is a party or entering into any new documents, whether in its existing capacity as Bond Trustee or in a new capacity, that the Issuer considers necessary:

(A) for the purpose of adding any additional Rating Agency or replacing any existing Rating Agency with a replacement Rating Agency or removing any Rating Agency in relation to the Programme and/or maintaining the current rating and complying with, or implementing or reflecting, any change in the criteria of one or more of the Rating Agencies which may be applicable from time to time to maintain that rating, *provided that* the Issuer certifies in writing to the Bond Trustee that such modification or entry into new documents is required solely for such purpose and has been drafted solely to such effect and, if applicable, is necessary to comply with such criteria (including to avoid a downgrade, withdrawal or suspension of the then-current rating assigned by each Rating Agency to any Series of Covered Bonds);

(B) for the purpose of enabling any Series of Covered Bonds to achieve a S&P rating of "AAA" and/or a Moody's rating of "Aaa" and/or equivalent rating of any replacement Rating Agency, *provided that* the Issuer certifies in writing to the Bond Trustee that such modification or entry into new documents is required solely for such purpose and has been drafted solely to such effect and is necessary to achieve such a rating;

(C) for the purpose of making any modification to a Transaction Document or entering into new documents proposed by the Issuer in order (A) for a Swap Provider or an Account Bank to remain eligible to perform its role in such capacity in conformity with the criteria of the Rating Agencies and/or (B) for the Swap Provider or an Account Bank to avoid taking action which it would otherwise be required to take to enable it to continue performing such role (including, without limitation, posting collateral or advancing funds), *provided that* the Issuer certifies in writing to the Bond Trustee that such modification or entry into new documents is necessary for the purposes described in Conditions 14.2(b) (A)(x) and/or 14.2(b)(C)(y);

(D) for the purpose of enabling the Covered Bonds issued under the Programme to qualify or to continue to qualify as regulated covered bonds under the KHFC Act and which the Issuer certifies in writing to the Bond Trustee are necessary to comply with the KHFC Act and are required solely for such purpose and have

been drafted solely to such effect or, as the case may be, are solely to implement and reflect the KHFC Act;

(E) for the purpose of enabling the Covered Bonds issued under the Programme or any relevant Transaction Party to comply with any mandatory provisions of law, *provided that* the Issuer certifies to the Bond Trustee in writing that such modification or entry into new documents is required solely for such purpose and has been drafted solely to such effect;

(F) for the purpose of enabling the Covered Bonds to be (or to remain) listed on the stock exchange, *provided that* the Issuer certifies to the Bond Trustee in writing that such modification or entry into new documents is required solely for such purpose and has been drafted solely to such effect;

(G) for the purpose of enabling the Issuer to issue Covered Bonds in the form of N Bonds under the Programme on the following terms: (1) the terms and conditions of the N Bonds shall be governed by German law (save for Condition 3, which shall be governed by Korean law); (2) the N Bonds shall not be listed or traded on any stock exchange, but shall be issued in registered form on a private placement basis to eligible investors; and (3) the N Bonds shall constitute "Covered Bonds" issued under the Programme, ranking *pari passu* with all other Covered Bonds issued from time to time;

(H) in order to enable the Issuer and/or the Swap Provider (or any potential Swap Provider), as the case may be, to comply with:

(x) any obligation which applies to it under Articles 9, 10 and 11 of Regulation (EU) 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories dated 4 July 2012, as amended from time to time (including, without limitation, any associated regulatory technical standards and advice, guidance or recommendations from relevant supervisory regulators) (EMIR); or

(y) any other obligation which applies to it under EMIR; or

(z) any other obligation under any applicable laws or regulations that require parties to uncleared over-the-counter derivative transactions to report such transactions to a trade repository and/or to exchange collateral in the form of initial margin and/or variation margin,

and any modification in connection with Conditions 14.2(b)(H)(x) to 14.2(b) (H)(z) may include (and without limitation) modifications to the provisions set out in the Transaction Documents regarding payments using assets in the Cover Pool, withdrawal of cash from the Cover Pool, opening of additional Bank Accounts by the Issuer and the priority of payments in order to allow payments in respect of collateral by the Issuer (or, following the service of an Issuer Default Notice, the Asset Monitor) to the Swap Provider in priority to amounts payable to the Covered Bondholders or Couponholders (but, for the

avoidance of doubt, the Bond Trustee is not obliged to agree to modifications to allow such payments to be made pari passu or in priority to payments to the Bond Trustee in the priority of payments provisions); or

(I) for the purpose of enabling the Covered Bonds issued under the Programme to qualify or to continue to qualify under any equivalence regime introduced for third-country credit institutions issuing covered bonds and for investors in those covered bonds as referred to in Article 31 of Directive (EU) 2019/2162 of the European Parliament and of the Council of 27 November 2019 on the issue of covered bonds and covered bond public supervision and amending Directives 2009/65/EC and 2014/59/EU (the "**EU Covered Bond Directive**") and which the Issuer certifies in writing to the Bond Trustee are necessary to comply with any such equivalence regime in relation to the EU Covered Bond Directive and/or Regulation (EU) 2019/2160 of the European Parliament and of the Council of 27 November 2019 amending Regulation (EU) No 575/2013 as regards exposures in the form of Covered Bonds, and are required solely for such purpose and have been drafted solely to such effect;

provided that the Issuer (or, in the case of Condition 14.2(b)(H), the Issuer, the Swap Provider and/or the potential Swap Provider, as appropriate) certifies to the Bond Trustee in writing (and in the case of the Issuer, any such certificate to be signed by an Authorised Signatory of the Issuer) that (i) such modification or entry into new documents is required solely for such purpose and has been drafted solely to such effect and (ii) the Issuer has received advice from a reputable law firm in Korea that in respect of the relevant modification or entry into new documents either (x) no consent is required from the FSC, the MOEF and any other relevant Korean authority (other than an amendment filing to the Securitisation Plan and acceptance thereof by the FSC); or (y) any and all consents which are required from the FSC, MOEF and any other relevant Korean authority have been received from the FSC, the MOEF and any other relevant Korean authority and are in full force and effect.

Each certificate to be provided by the Issuer or the relevant Transaction Party or the relevant potential Swap Provider, as the case may be, pursuant to Conditions 14.2(b)(A) to 14.2(b)(H) is a "**Modification Certificate**" and it is agreed that the Bond Trustee shall rely on any Modification Certificate absolutely and without further enquiry or liability to any Covered Bondholders or Couponholders or any other person, provided that:

(1) except for any modification or entry into new documents pursuant to Condition 14.2(b)(G), the Issuer has provided at least 30 days' notice to the Covered Bondholders of each Series of the proposed modification or entry into new documents in accordance with Condition 13; and

(2) the Modification Certificate(s) in relation to such modification or entry into new documents shall be provided to the Bond Trustee both at the time the Bond Trustee is notified of the proposed modification or entry into new documents and on the date that such modification or entry into new documents takes effect,

and further provided that:

(3) except for any modification or entry into new documents pursuant to Condition 14.2(b)(G), Covered Bondholders representing at least 10 per cent. in nominal amount of the Covered Bonds of all Series then outstanding as if they were all a single Series (and for this purpose, the nominal amount of Covered Bonds which are not denominated in U.S. dollars shall be the equivalent in U.S. dollars at the spot rate of a bank nominated by the Issuer or (following the service of an Issuer Default Notice) the Asset Monitor for the conversion of the relevant currency or currencies into U.S. dollars on the seventh dealing day prior to the last day of the notification period referred to above) have not contacted the Bond Trustee in writing (or otherwise in accordance with the then-current practice of any applicable clearing system through which such Covered Bonds may be held) within such notification period notifying the Bond Trustee that such Covered Bondholders do not consent to the modification or entry into new documents.

If Covered Bondholders representing at least 10 per cent. in nominal amount of the Covered Bonds of all Series then outstanding as if they were all a single Series (and for this purpose, the nominal amount of Covered Bonds which are not denominated in U.S. dollars shall be the equivalent in U.S. dollars at the spot rate of a bank nominated by the Issuer or (following the service of an Issuer Default Notice) the Asset Monitor for the conversion of the relevant currency or currencies into U.S. dollars on the seventh dealing day prior to the last day of the notification period referred to above) have notified the Bond Trustee in writing (or otherwise in accordance with the then-current practice of any applicable clearing system through which such Covered Bonds may be held) within the notification period referred to above that they do not consent to the modification or entry into new documents, then such modification or entry into new documents will not be made unless a single Extraordinary Resolution or, as determined in accordance with the provisions of the Bond Trust Deed, separate Extraordinary Resolutions of the Covered Bondholders of the Series affected by such modification or entry into new documents is/are passed in favour of such modification or entry into new documents in accordance with Condition 14.1. Objections made in writing other than through the applicable clearing system must be accompanied by evidence to the Bond Trustee's satisfaction (having regard to prevailing market practices) of the relevant Covered Bondholder's holding of the Covered Bonds;

(4) the Issuer:

(aa) obtains from each of the Rating Agencies written confirmation that such modification or entry into new documents would not result in a downgrade, withdrawal or suspension of the then-current ratings assigned to any Series of Covered Bonds by such Rating Agency and would not result in any Rating Agency placing any Covered Bonds on rating watch negative (or equivalent) and delivers a copy of each such confirmation to the Issuer and the Bond Trustee; or

(bb) certifies in the Modification Certificate that it has been unable to obtain such written confirmation, but has received oral confirmation from an appropriately authorised person at each of the Rating Agencies that such modification or entry into new documents would not result in (x) a downgrade, withdrawal or suspension of the then-current ratings assigned to any Covered Bonds by such Rating Agency or (y) such Rating Agency placing any Covered Bonds on rating watch negative (or equivalent); or

(cc) certifies in the Modification Certificate that it has informed the Rating Agencies of the proposed modification or entry into new documents and none of the Rating Agencies has indicated that such modification or entry into new documents would result in (x) a downgrade, withdrawal or suspension of the then-current ratings assigned to any Covered Bonds by such Rating Agency or (y) such Rating Agency placing any Covered Bonds on rating watch negative (or equivalent);

(5) the Asset Monitor has provided its consent to such modification or entry into new documents prior to the date that such modification or entry into new documents takes effect, such consent not to be unreasonably withheld or delayed by the Asset Monitor, and a copy of such consent has been provided to the Bond Trustee; and

(6) the Issuer pays all fees, all costs and expenses (including legal fees) properly incurred and all liabilities and other amounts incurred by the Bond Trustee in connection with such modification, or entry into new documents.

(c) Any such modification, entry into new documents, waiver, authorisation or determination shall be binding on all Covered Bondholders and Couponholders of the relevant Series for the time being outstanding, and unless the Bond Trustee otherwise agrees, any such modification or entry into new documents shall be notified as soon as practicable thereafter by the Issuer to the Covered Bondholders for the time being outstanding (in accordance with Condition 13), the Asset Monitor, and, so long as any of the Covered Bonds rated by the Rating Agencies remain outstanding, each Rating Agency.

(d) In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Bond Trustee shall have regard to the general interests of the Covered Bondholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Covered Bondholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Covered Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Bond Trustee shall not be entitled to require, nor shall any Covered Bondholder be entitled to claim, from the Issuer, the Bond Trustee or any other person any indemnification or payment in respect

of any tax consequences of any such exercise upon individual Covered Bondholders except to the extent already provided for in Condition 7 and/or in any undertaking or covenant given in addition to, or in substitution for, Condition 7 pursuant to the Bond Trust Deed.

15 INDEMNIFICATION OF THE BOND TRUSTEE AND ITS CONTRACTING WITH THE ISSUER

If, in connection with the exercise of its powers, trusts, authorities or discretions, the Bond Trustee is of the opinion that the interests of the holders of the Covered Bonds would be materially prejudiced thereby, the Bond Trustee shall not exercise such power, trust, authority or discretion without the approval of such Covered Bondholders by Extraordinary Resolution or by a written resolution of such Covered Bondholders of not less than 50 per cent. of the Principal Amount Outstanding of Covered Bonds then outstanding.

The Bond Trust Deed contains provisions for the indemnification of the Bond Trustee and for its relief from responsibility, including provisions relieving it from taking any action unless indemnified and/or secured and/or pre-funded to its satisfaction.

The Bond Trust Deed also contains provisions, pursuant to which the Bond Trustee is entitled, among other things, (a) to enter into business transactions with the Issuer and/or any of their respective subsidiaries and affiliates and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of its respective subsidiaries and affiliates, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship, without regard to the interests of, or consequences for, the Covered Bondholders and (c) to retain and not be liable to account for any profit made or share of brokerage or commission or remuneration or any other amount or benefit received thereby or in connection therewith.

The Bond Trustee will not be responsible for any loss, expense or liability, which may be suffered as a result of any Mortgage Loans, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by clearing organisations or their operators or by intermediaries such as banks, brokers or other similar persons on behalf of the Bond Trustee. The Bond Trustee will not be responsible for: (a) supervising the performance by the Issuer or any other party to the Transaction Documents of their respective obligations under the Transaction Documents and the Bond Trustee will be entitled to assume, until it has received written notice to the contrary, that all such persons are properly performing their duties; (b) considering the basis on which approvals or consents are granted by the Issuer or any other party to the Transaction Documents under the Transaction Documents; (c) monitoring the Cover Pool, including, without limitation, whether the Cover Pool is in compliance with the Asset Coverage Test or the Pre-Maturity Test (as the case may be); or (d) monitoring whether Mortgage Loans satisfy the Eligibility Criteria. The Bond Trustee will not be responsible to any Covered Bondholder and will have no responsibility in relation to the legality, validity, sufficiency and enforceability of the Transaction Documents.

16 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Covered Bonds under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

17 GOVERNING LAW AND JURISDICTION

17.1 Governing law

Each of the Bond Trust Deed, the Agency Agreement, the Covered Bonds, the Coupons and the Talons and, in each case, any non-contractual obligations arising out of or in connection with the relevant document, is governed by and shall be construed in accordance with, English law, unless specifically stated to the contrary.

17.2 Jurisdiction of English Courts

The Issuer has, in the Bond Trust Deed, irrevocably agreed for the benefit of the Bond Trustee and the Covered Bondholders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Bond Trust Deed or the Covered Bonds and accordingly has submitted to the jurisdiction of the English courts.

The Issuer has, in the Bond Trust Deed, waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Bond Trustee and the Covered Bondholders may take any suit, action or proceeding arising out of or in connection with the Bond Trust Deed or the Covered Bonds respectively (together referred to as "**Proceedings**") against the Issuer in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

17.3 Appointment of Process Agent

The Issuer appoints Walkers of The Scalpel, 11th Floor, 52 Lime Street, London, EC3M 7AF, United Kingdom as its agent for service of process, and undertakes that, in the event of Walkers ceasing so to act, it will appoint another person as its agent for service of process in England in respect of any Proceedings and will notify the Bond Trustee of such new process agent within 30 days of such cessation. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

SUMMARY OF PROVISIONS RELATING TO THE COVERED BONDS WHILE IN GLOBAL FORM

Initial Issue of the Covered Bonds

Global Covered Bonds and Global Certificates may be delivered on or prior to the original Issue Date of the Tranche to the Common Depositary.

Upon the initial deposit of the Global Covered Bonds with the Common Depositary for Euroclear and Clearstream Luxembourg and/or a sub-custodian for the HKMA as operator of the CMU or registration of Registered Covered Bonds in the name of any nominee for Euroclear and Clearstream, Luxembourg and the CMU and delivery of the relative Global Certificate to the Common Depositary for Euroclear and Clearstream Luxembourg and/or a sub-custodian for the HKMA as operator of the CMU, Euroclear or Clearstream, Luxembourg or the CMU will credit each subscriber with a nominal amount of Covered Bonds equal to the nominal amount thereof for which it has subscribed and paid.

Upon the initial deposit of a Global Certificate in respect of, and registration of, Registered Covered Bonds in the name of a nominee for DTC and delivery of the relevant Global Certificate to the custodian for DTC, DTC will credit each participant with a nominal amount of Covered Bonds equal to the nominal amount thereof for which it has subscribed and paid.

Covered Bonds that are initially deposited with the Common Depositary for Euroclear and Clearstream Luxembourg and/or a sub-custodian for the HKMA as operator of the CMU may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg and the CMU held by such other clearing systems. Conversely, Covered Bonds that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg, the CMU or other clearing systems.

The Covered Bonds will be issued both outside the United States in reliance on the exemption from registration provided by Regulation S under the Securities Act and within the United States or to, or for the benefit of, U.S. Persons (as defined in Regulation S under the Securities Act) and "**U.S. Residents**" (defined as a "U.S. Person" under Regulation S, as such term has been interpreted by the U.S. Securities and Exchange Commission Staff in the context of Section 7(d) of the Investment Company Act) (together, "**U.S. Investors**") as described herein in reliance on Rule 144A.

Relationship of Accountholders with Clearing Systems

Save as provided in the following paragraph, each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, DTC or any alternative clearing system ("**Alternative Clearing System**") as the holder of a Covered Bond represented by a Global Covered Bond or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg, DTC or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Covered Bond or the holder of the underlying Registered Covered Bond, as the case may be, and in relation to all other rights arising under the Global Covered Bonds or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg,

DTC or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Covered Bonds for so long as the Covered Bonds are represented by such Global Covered Bond or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Covered Bond or the holder of the underlying Registered Covered Bonds, as the case may be, in respect of each amount so paid.

If a Global Covered Bond or a Global Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Covered Bond or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules shall be the only person(s) entitled (or, in the case of Registered Covered Bonds, directed or deemed by the CMU as entitled) to receive payments in respect of Covered Bonds represented by such Global Covered Bond or Global Certificate and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Covered Bond or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU, as the beneficial holder of a particular nominal amount of Covered Bonds represented by such Global Covered Bond or Global Certificate must look solely to the CMU for his share of each payment so made by the Issuer in respect of such Global Covered Bond or Global Certificate.

Exchange

Temporary Global Covered Bonds

Each temporary bearer Global Covered Bond (the "**Temporary Global Covered Bond**") will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Pricing Supplement indicates that such Global Covered Bond is issued incompliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (or any successor rules in substantially the same form that is applicable for purposes of Section 4701 of the Code) or in a transaction to which United States Tax Equity and Fiscal Responsibility Act of 1982 is not applicable, in whole, but not in part, for the Definitive Covered Bond defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a Permanent Global Covered Bond or, if so provided in the relevant Pricing Supplement, for Definitive Covered Bonds.

The CMU may require that any such exchange for a Permanent Global Covered Bond is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Issue Position Report (as defined in the rules of the CMU) or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) have so certified.

Permanent Global Covered Bond

Each permanent bearer Global Covered Bond (the "**Permanent Global Covered Bond**") will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under "*—Book Entry; Delivery of Covered Bonds*" below, in part for Definitive Covered Bonds if the Permanent Global Covered Bond is held on behalf of Euroclear, Clearstream, Luxembourg, the CMU, or an Alternative Clearing System and any such clearing system is closed for

business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so by such holder giving notice to the Issuing and Paying Agent.

Global Certificates

(a) Regulation S Global Certificates

If the Pricing Supplement states that the Covered Bonds are to be represented by a Regulation S Global Certificate on issue, the following will apply in respect of transfers of Covered Bonds held in Euroclear, Clearstream, Luxembourg, the CMU, DTC, or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Covered Bonds within a clearing system whilst they are held on behalf of such clearing system but will limit the circumstances in which the Covered Bonds may be withdrawn from the relevant clearing system.

Transfers of the holding of Covered Bonds represented by any Global Certificate pursuant to Condition 2.2 may only be made:

(i) (in the case of Regulation S Global Certificates that are cleared through Euroclear and Clearstream, Luxembourg, the CMU or any other clearing system) in whole but not in part, if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) (in the case of Regulation S Global Certificates that are cleared through DTC) in whole but not in part, if such Covered Bonds are held on behalf of a custodian for DTC and if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to that Rule 144A Global Certificate or DTC ceases to be a "clearing agency" registered under the Exchange Act or is at any time no longer eligible to act as such, and this Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or

(a) in whole or in part, with the consent of the Issuer,

provided that, in the case of a transfer pursuant to sub-paragraph (i) or (ii) above, the registered holder has given the Registrar not less than 30 days' notice at its specified office of the registered holder's intention to effect such transfer.

(b) Rule 144A Global Certificates

If the Pricing Supplement states that the Rule 144A Covered Bonds are to be represented by a Rule 144A Global Certificate on issue, the following will apply in respect of transfers of Covered Bonds held in Euroclear, Clearstream, Luxembourg, DTC or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Covered Bonds within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in

which the Covered Bonds may be withdrawn from the relevant clearing system. Transfers of the holding of Covered Bonds represented by that Rule 144A Global Certificate pursuant to Condition 2.2 may only be made:

(i) (in the case of Rule 144A Global Certificates that are cleared through Euroclear and Clearstream, Luxembourg or any other clearing system) in whole but not in part, if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) (in the case of Rule 144A Global Certificates that are cleared through DTC) in whole but not in part, if such Covered Bonds are held on behalf of a custodian for DTC and if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to that Rule 144A Global Certificate or DTC ceases to be a "clearing agency" registered under the Exchange Act or is at any time no longer eligible to act as such, and this Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or

(iii) in whole or in part, with the Issuer's consent,

provided that, in the case of any transfer pursuant to (i) or (ii) above, the relevant registered Covered Bondholder has given the Registrar not less than 30 days' notice at its specified office of the registered Covered Bondholder's intention to effect such transfer. Where the holding is only transferable in whole, the individual Certificates issued in exchange for a beneficial interest in a Rule 144A Global Certificate shall bear the legend applicable to such Covered Bonds as set out in "*Subscription and Sale and Transfer and Selling Restrictions*".

Exchanges Between the Regulation S Covered Bonds and the Rule 144A Covered Bonds

Beneficial interests in the Regulation S Global Certificates may be exchanged for beneficial interests in the Rule 144A Global Certificates during the 40-day period commencing on the later of the closing date and the date of completion of the distribution of the securities (the "**Distribution Compliance Period**"), only if such exchange occurs in connection with a transfer of the Covered Bonds pursuant to Rule 144A and the transferor first delivers to the Registrar a written certificate to the effect that the Covered Bonds are being transferred to a person who the transferor reasonably believes is a QIB/QP, purchasing the Covered Bonds for its own account or the account of another QIB/QP in a transaction meeting the requirements of Rule 144A and in accordance with all applicable securities laws of the states of the United States and other jurisdictions. Unless the Registered Global Covered Bonds have previously been exchanged for Definitive Covered Bonds, beneficial interests in the Rule 144A Global Certificates may be transferred to a person who takes delivery in the form of an interest in Regulation S Global Certificates, whether before or after the expiration of the Distribution Compliance Period, only if the transferor first delivers to the Registrar a written certificate to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S and that, if such transfer occurs prior to the expiration of the Distribution Compliance Period, the book-entry interest transferred will be held immediately through Euroclear, Clearstream, Luxembourg and/or DTC.

Any beneficial interest in one of the Global Certificates that is transferred to a person who takes delivery in the form of an interest in another Global Certificate will, upon transfer, cease to be an interest in such Global Certificate and will become an interest in the other Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Certificate for so long as it remains such an interest.

Book Entry; Delivery of Covered Bonds

The Covered Bonds offered in the United States to QIB/QPs in reliance on Rule 144A will be evidenced by a Rule 144A Global Certificate and the Covered Bonds offered and sold in reliance on Regulation S, which will be sold to Non-U.S. Investors outside the United States, will be evidenced by a Regulation S Global Certificate, each of which will be registered in the name of a nominee of, and shall be deposited with, a common depositary for Euroclear and Clearstream, Luxembourg and/or a sub-custodian for the HKMA as operator of the CMU.

The Covered Bonds will be subject to certain restrictions on transfer and will bear restrictive legends as described under "*Subscription and Sale and Transfer and Selling Restrictions*". In addition, transfer of beneficial interests in the Registered Global Covered Bonds will be subject to the applicable rules and procedures of Euroclear and Clearstream, Luxembourg, and CMU and their respective accountholders, which may change from time to time.

On or after any due date for exchange, the holder of a Global Covered Bond may surrender such Global Covered Bond or, in the case of a partial exchange, present it for endorsement to or to the order of the Issuing and Paying Agent (or, in the case of Covered Bonds lodged with the CMU, the CMU Lodging and Paying Agent). In exchange for any Global Covered Bond, or the part thereof to be exchanged, the Issuer will (i) in the case of a Temporary Global Covered Bond exchangeable for a Permanent Global Covered Bond, deliver, or procure the delivery of, a Permanent Global Covered Bond in an aggregate nominal amount equal to that of the whole or that part of a Temporary Global Covered Bond that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a Permanent Global Covered Bond to reflect such exchange or (ii) in the case of a Global Covered Bond exchangeable for Definitive Covered Bonds, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Covered Bonds.

Definitive Covered Bonds will be security printed or in accordance with any applicable legal and stock exchange requirements and substantially in the form set out in the Schedules to the Bond Trust Deed. On exchange in full of each Permanent Global Covered Bond, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Covered Bonds.

Exchange Date

"**Exchange Date**" means, in relation to a Temporary Global Covered Bond, the day falling after the expiry of 40 days after its Issue Date and, in relation to a Permanent Global Covered Bond, a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Issuing and Paying Agent is located and in the city in which the relevant clearing system is located.

Amendment to Conditions

The Temporary Global Covered Bonds, Permanent Global Covered Bonds and Global Certificates contain provisions that apply to the Covered Bonds that they represent, some of which modify the effect of the Conditions set out in this Offering Circular. The following is a summary of certain of those provisions:

Payments

No payment falling due after the Exchange Date will be made on any Global Covered Bond unless exchange for an interest in a Permanent Global Covered Bond or for Definitive Covered Bonds is improperly withheld or refused. Payments on any Temporary Global Covered Bond issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor rules in substantially the same form that are applicable for purposes of Section 4701 of the Code) before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Covered Bonds represented by a Global Covered Bond (except with respect to Global Covered Bond held through the CMU) will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Covered Bonds, surrender of that Global Covered Bond to or to the order of the Issuing and Paying Agent or such other Paying Agent as shall have been notified to the Covered Bondholders for such purpose. A record of each payment so made will be endorsed on each Global Covered Bond, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Covered Bonds. For the purpose of any payments made in respect of a Global Covered Bond, the relevant place of presentation shall be disregarded in the definition of "Payment Day" set out in Condition 5.9 (*Payment Day*).

All payments in respect of Covered Bonds represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Covered Bond or Global Certificate representing Covered Bonds held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Covered Bond or Global Certificate are credited (as set out in the records of the CMU) at the close of business on the Clearing System Business Day immediately prior to the date for payment and, save in the case of final payment, no presentation of the relevant bearer Global Covered Bond or Global Certificate shall be required for such purpose. For the purposes of this paragraph, "**Clearing System Business Day**" means a day on which the CMU is operating and open for business.

Prescription

Claims against the Issuer in respect of Covered Bonds that are represented by a Permanent Global Covered Bond or by a Global Certificate will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 7 (*Taxation*)).

Meetings

The holder of the Covered Bonds represented by a Permanent Global Covered Bond or by a Global Certificate shall (unless such Permanent Global Covered Bond or Global Certificate represents only one Covered Bond) be treated as being two persons for the purposes of any quorum requirements of a meeting of Covered Bondholders and, at any such meeting, and the holder of a Permanent Global Covered Bond shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Covered Bonds.

Cancellation

Cancellation of any Covered Bond represented by a Permanent Global Covered Bond or by a Global Certificate that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant Permanent Global Covered Bond or the relevant Global Certificate, as the case may be, on its presentation to or to the order of the Issuing and Paying Agent for endorsement in the relevant schedule of such Permanent Global Covered Bond or such Global Certificate, whereupon the principal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

Purchase

Covered Bonds represented by a Permanent Global Covered Bond or by a Global Certificate may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the right to receive all future payments of interest thereon.

Issuer's Options

Any option of the Issuer provided for in the Conditions of any Covered Bonds while such Covered Bonds are represented by a Permanent Global Covered Bond or by a Global Certificate shall be exercised by the Issuer giving notice to the Covered Bondholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Covered Bonds drawn in the case of a partial exercise of an option and accordingly no drawing of Covered Bonds shall be required.

Bond Trustee's Powers

In considering the interests of Covered Bondholders while any Global Covered Bond is held on behalf of, or Registered Covered Bonds are registered in the name of any nominee for, a clearing system, the Bond Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to such Global Covered Bond or Registered Covered Bonds and may consider such interests as if such accountholders were the holders of the Covered Bonds represented by such Global Covered Bond or Global Certificate.

Notices

So long as any Covered Bonds are represented by a Global Covered Bond or a Global Certificate and such Global Covered Bond or Global Certificate is held on behalf of (i) a clearing system (except as

provided in (ii) below), notices to the holders of Covered Bonds of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Covered Bond or (ii) the CMU, notices to the holders of Covered Bonds of that Series may be given by delivery of the relevant notice to the CMU in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Covered Bond or Global Certificate, and any such notice shall be deemed to have been given to the Covered Bondholders on the day on which such notice is delivered to the CMU.

Electronic Consent and Written Resolution

While any Global Covered Bond is held on behalf of, or any Global Certificate is registered in the name of any nominee for, a clearing system, then:

(a) where the terms of the resolution proposed by the Issuer or the Bond Trustee (as the case may be) have been notified to the Covered Bondholders through the relevant clearing system(s) as provided in subparagraphs (i) and/or (ii) below, each of the Issuer and the Bond Trustee shall be entitled to rely upon approval of such resolution proposed by the Issuer or the Bond Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) to the Issuing and Paying Agent or another specified agent and/or the Bond Trustee in accordance with their operating rules and procedures by or on behalf of the holders of not less than two-thirds of the Principal Amount Outstanding of the Covered Bonds ("**Electronic Consent**") by close of business on the due date of the Electronic Consent. Any resolution passed in such manner shall be binding on all Covered Bondholders and Couponholders, even if the relevant consent or instruction proves to be defective. None of the Issuer or the Bond Trustee shall be liable or responsible to anyone for such reliance:

(i) When a proposal for a resolution to be passed as an Electronic Consent has been made, atleast 10 days' notice (exclusive of the day on which the notice is given and of the day on which affirmative consents will be counted) shall be given to the Covered Bondholders through the relevant clearing system(s). The notice shall specify, in sufficient detail to enable Covered Bondholders to give their consents in relation to the proposed resolution, the method by which their consents may be given (including, where applicable, blocking of their accounts in the relevant clearing system(s)) and the time and date (the "**Electronic Consent Relevant Date**") by which they must be received in order for such consents to be validly given, in each case subject to and in accordance with the operating rules and procedures of the relevant clearing system(s).

(ii) If, on the Electronic Consent Relevant Date on which the consents in respect of an Electronic Consent are first counted, such consents do not represent the required proportion, the resolution shall, if the party proposing such resolution (the "**Proposer**") so determines, be deemed to be defeated. Such determination shall be notified in writing to the Covered Bondholders and the other party or parties to the Bond Trust Deed. Alternatively, the Proposer may give a further notice to Covered Bondholders that the resolution will be proposed again on such date and for such period as shall be agreed with the Bond Trustee (unless the Bond Trustee is the Proposer). Such notice must inform Covered Bondholders

that insufficient consents were received in relation to the original resolution and the information specified in sub-paragraph (i) above. For the purpose of such further notice, references to "Electronic Consent Relevant Date" shall be construed accordingly.

For the avoidance of doubt, an Electronic Consent may only be used in relation to a resolution proposed by the Issuer or the Bond Trustee which is not then the subject of a meeting that has been validly convened in accordance with the Bond Trust Deed, unless that meeting is or shall be cancelled or dissolved; and where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Bond Trust Deed) has been validly passed, the Issuer and the Bond Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Bond Trustee, as the case may be, (a) by accountholders in the clearing system(s) with entitlements to such Global Covered Bond or Global Certificate and/or, (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Issuer and the Bond Trustee shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, Euroclear, Clearstream, Luxembourg, DTC or any other relevant Alternative Clearing System (for the purpose of this paragraph, the "**relevant clearing system**") and, in the case of (b) above, the relevant clearing system and the accountholder identified by the relevant clearing system for the purpose of (b) above. Any resolution passed in such manner shall be binding on all Covered Bondholders and Couponholders, even if the relevant consent or instruction proves to be defective. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Covered Bonds is clearly identified together with the amount of such holding. Neither the Issuer nor the Bond Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

General

For so long as any Covered Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that any Global Covered Bond or Global Certificate is exchanged for Definitive Covered Bonds, the Issuer shall appoint and maintain a paying agent in Singapore, where such Definitive Covered Bonds may be presented or surrendered for payment or redemption. In addition, in the event that a Global Covered Bond or Global Certificate is exchanged for Definitive Covered Bonds, an announcement on such exchange will be made by or on behalf of the Issuer through the SGX-ST, and such announcement will include all material information with respect to the delivery of the Definitive Covered Bonds, including details of the paying agent in Singapore.

USE OF PROCEEDS

The Issuer expects to use the net proceeds from each issue of Covered Bonds for its general corporate purposes or as otherwise described by the Issuer at the time of offering in the Pricing Supplement of the relevant Series of Covered Bonds.

SELECTED FINANCIAL AND OPERATING DATA

The selected financial information in Won presented below is derived from the audited consolidated financial statements set forth in Appendix I to this Offering Circular.

The following information should be read together with KHFC's audited consolidated financial statements and the accompanying notes set forth in Appendix I to this Offering Circular.

Summary of Statements of Financial Position

	As of 31 December		
	2023	2024	2024
	Audited (Won in billions)		Unaudited (U.S.$ in millions)
Assets			
Cash and due from banks	6,138.7	10,619.2	7,224.0
Securities	1,967.5	2,921.9	1,987.7
Securities at fair value through profit or loss	241.9	1,107.7	753.5
Securities at fair value through other comprehensive income	1,725.6	1,814.2	1,234.2
Other financial assets	945.6	2,267.9	1,542.8
Derivative financial assets	466.9	1,726.7	1,174.6
Other financial assets	478.7	541.2	368.2
Loan receivables at amortised costs	179,551.5	175,283.2	119,240.3
Purchased mortgage-backed loans	14,111.1	14,721.7	10,014.7
Premium (discount) on loan receivables	(111.1)	(112.9)	(76.8)
Deferred loan origination fees and costs	59.2	69.4	47.2
(Allowance for doubtful accounts)	(18.0)	(25.1)	(17.0)
Purchased student loans	22.5	15.0	10.2
Discount on loan receivables	(0.2)	(0.1)	(0.1)
(Allowance for doubtful accounts)	(3.3)	(2.5)	(1.7)
Mortgage-backed loans by trusts	165,554.7	160,789.6	109,380.7
Premium (discount) on loan receivables	(405.7)	(371.8)	(252.9)
Deferred loan origination fees and costs	478.9	388.2	264.0
(Allowance for doubtful accounts)	(136.6)	(188.2)	(128.0)
Property and equipment	187.6	192.0	130.6
Lands	19.8	23.2	15.8
Buildings	117.1	125.4	85.3
(Accumulated depreciation)	(19.6)	(22.7)	(15.4)
Vehicles	0.2	0.2	0.2
(Accumulated depreciation)	(0.2)	(0.2)	(0.2)
Office equipment	120.9	123.6	84.1
(Accumulated depreciation)	(84.9)	(90.0)	(61.2)
Right-of-use assets	31.5	34.2	23.2
(Accumulated depreciation)	(12.0)	(14.7)	(10.0)
Other property and equipment	38.0	40.0	27.2
(Accumulated depreciation)	(23.2)	(28.1)	(19.1)
Construction-in-progress	—	1.1	0.7

	As of 31 December		
	2023	2024	2024
	Audited (Won in billions)		Unaudited (U.S.$ in millions)
Intangible assets	27.8	20.8	130.6
Software	67.2	71.4	48.6
(Accumulated amortisation)	(40.2)	(51.6)	(35.1)
Copyright, patent and other industrial property rights	0.0	0.0	0.0
(Accumulated amortisation)	(0.0)	(0.0)	(0.0)
Membership	0.9	0.9	0.6
Other assets	16.7	13.5	9.2
Advanced payments	0.0	0.0	0.0
Prepaid expenses	16.6	13.5	9.2
Other assets	0.0	0.0	0.0
Deferred tax assets	91.2	42.5	28.9
Current tax assets	—	0.1	0.0
Total assets	188,926.5	191,361.0	130,177.6

	As of 31 December		
	2023	2024	2024
	Audited (Won in billions)		Unaudited (U.S.$ in millions)
Liabilities and equity			
Liabilities			
Debts	16,452.8	22,587.8	15,365.9
Borrowings	200	—	—
Public bonds issued	16,270.9	22,609.9	15,380.9
(Discount on public bonds)	(18.2)	(22.1)	(15.0)
Securitised liabilities	166,573.5	162,845.2	110,779.1
Mortgage-backed bonds	11,061.0	13,738.7	9,346.1
(Discount on bonds)	(13.3)	(13.5)	(9.2)
Securitised securities	155,593.0	149,185.3	101,486.6
(Discount on securities)	(67.2)	(65.4)	(44.5)
Other financial liabilities	1,206.2	1,022.5	695.6
Derivative financial liabilities	425.1	147.3	100.2
Other payables	50.7	45.3	30.8
Other financial liabilities	730.5	829.9	564.5
Provisions	32.0	36.7	25.0
Provisions for employee benefits	1.4	1.4	0.9
Provisions for conversion incentives	27.7	31.7	21.6
Provisions for restoration costs	3.0	3.6	2.5
Employee benefit liabilities	97.1	114.1	77.6
Net defined benefit liabilities	97.1	114.1	77.6
Other liabilities	14.7	16.3	11.1
Advances received	14.7	16.3	11.1
Current tax liabilities	39.3	4.1	2.8
Deferred tax liabilities	—	—	—
Total liabilities	184,415.6	186,626.7	126,957.0
Equity			
Paid-in capital	2,730.2	2,730.2	1,857.3
Capital contributions	2,737.4	2,737.4	1,862.2
Capital adjustments	(7.2)	(7.2)	(4.9)
Retained earnings	1,878.1	2,106.2	1,432.8
Legal reserves	497.8	511.2	347.8
Regulatory reserves for credit losses	337.7	421.8	286.9
Unappropriated retained earnings	1,042.6	1,173.2	798.1
Other components of equity	(97.4)	(102.0)	(69.4)
Accumulated other comprehensive loss	(97.4)	(102.0)	(69.4)
Total equity	4,510.9	4,734.3	3,220.6
Total liabilities and equity	188,926.5	191,361.0	130,177.6

Summary of Statements of Operations

	For the year ended 31 December		
	2023	2024	2024
	Audited (Won in billions)		Unaudited (U.S.$ in millions)
Operating income	5,910.1	7,651.7	5,205.2
Interest income	4,862.3	5,861.5	3,987.4
Fee and commission income	13.9	12.5	8.5
Gain on disposal of financial assets at fair value through OCI	0.5	—	—
Gain on valuation and transaction of derivatives	873.0	1,598.8	1,087.6
Gain on foreign currency translation	10.9	26.2	17.8
Gain on foreign currency transaction	26.8	45.3	30.8
Other operating income	122.7	107.6	73.2
Operating expenses	5,845.4	7,348.5	4,999.0
Interest expenses	4,282.7	5,345.6	3,636.5
Fee and commission expenses	119.6	110.6	75.3
Bad debt expenses	27.4	70.2	47.8
Loss on valuation and transaction of derivatives	708.0	190.5	129.6
Loss on foreign currency translation	480.6	1,398.5	951.4
Other operating expenses	5.8	4.8	3.3
Selling and administrative expenses	221.3	228.2	155.3
Operating profit	64.6	303.2	206.2
Other income (expenses)	(2.9)	(2.5)	(1.7)
Loss on disposal of property and equipment	(0.3)	(0.0)	(0.0)
Other losses, net	(2.6)	(2.5)	(1.7)
Profit before income taxes	61.7	300.6	204.5
Income tax expense	16.2	65.8	44.8
Profit for the year	45.5	234.8	159.7
Other comprehensive income (loss)	38.4	(11.4)	(7.7)
Items that will not be reclassified to profit or loss in subsequent periods:	(8.7)	(6.9)	(4.7)
Remeasurements of net defined benefit liabilities	(8.8)	(6.7)	(4.6)
Net loss on equity instruments measured at fair value through OCI	0.1	(0.2)	(0.1)
Items that will or may be reclassified to profit or loss in subsequent periods	47.1	(4.4)	(3.0)
Net gain on debt instruments measured at fair value through OCI	20.7	5.9	4.0
Net gain (loss) on valuation of cash flow hedges	26.4	(10.4)	(7.1)
Total comprehensive income	83.9	223.5	152.0

THE REPUBLIC OF KOREA

Land and History

Territory and Population

Located generally south of the 38th parallel on the Korean peninsula, the Republic covers about 38,000 square miles, approximately one-fourth of which is arable. The Republic has a population of approximately 52 million people. The Republic's largest city and capital, Seoul, has a population of about 9 million people.

Map of the Republic of Korea



Political History

Dr. Rhee Seungman, who was elected President in each of 1948, 1952, 1956 and 1960, dominated the years after the Republic's founding in 1948. Shortly after President Rhee's resignation in 1960 in response to student-led demonstrations, a group of military leaders headed by Park Chung Hee assumed power by coup. The military leaders established a civilian government, and the Republic elected Mr. Park as President in October 1963. President Park served as President until his assassination in 1979 following a period of increasing strife between the Government and its critics. The Government declared martial law and formed an interim government under Prime Minister Choi Kyu Hah, who became the next President. After clashes between the Government and its critics, President Choi resigned, and General Chun Doo Hwan, who took control of the Korean army, became President in 1980.

In late 1980, the Republic approved, by national referendum, a new Constitution, providing for indirect election of the President by an electoral college and for certain democratic reforms, and shortly thereafter, in early 1981, re-elected President Chun.

Responding to public demonstrations in 1987, the legislature revised the Constitution to provide for direct election of the President. In December 1987, Roh Tae Woo won the presidency by a narrow plurality, after opposition parties led by Kim Young Sam and Kim Dae Jung failed to unite behind a single candidate. In February 1990, two opposition political parties, including the one led by Kim Young Sam, merged into President Roh's ruling Democratic Liberal Party.

In December 1992, the Republic elected Kim Young Sam as President. The election of a civilian and former opposition party leader considerably lessened the controversy concerning the legitimacy of the political regime. President Kim's administration reformed the political sector and deregulated and internationalised the Korean economy.

In December 1997, the Republic elected Kim Dae Jung as President. President Kim's party, the Millennium Democratic Party (formerly known as the National Congress for New Politics), formed a coalition with the United Liberal Democrats led by Kim Jong Pil, with Kim Jong Pil becoming the first prime minister in President Kim's administration. The coalition, which temporarily ended before the election held in April 2000, continued with the appointment of Lee Han Dong of the United Liberal Democrats as the Prime Minister in June 2000. The coalition again ended in September 2001.

In December 2002, the Republic elected Roh Moo Hyun as President. President Roh and his supporters left the Millennium Democratic Party in 2003 and formed a new party, the Uri Party, in November 2003. On 15 August 2007, 85 members of the National Assembly, previously belonging to the Uri Party, or the Democratic Party, formed the United New Democratic Party, or the UNDP. The Uri Party merged into the UNDP on 20 August 2007. In February 2008, the UNDP merged back into the Democratic Party. In December 2011, the Democratic Party merged with the Citizens Unity Party to form the Democratic United Party, which changed its name to the Democratic Party in May 2013.

In December 2007, the Republic elected Lee Myung-Bak as President. He commenced his term in February 2008. In April 2018, the Korean prosecutor's office indicted former President Lee on 16 counts of corruption, including bribery, abuse of power, embezzlement and other irregularities. In October 2018, a Seoul district court sentenced him to 15 years of prison term, which decision he

subsequently appealed. In October 2020, the Supreme Court ruled against such appeal and sentenced him to 17 years of prison term. Subsequently, he was released from prison pursuant to a special presidential pardon in December 2022.

In December 2012, the Republic elected Park Geun-hye as President. She commenced her term in February 2013. In March 2017, the Constitutional Court unanimously upheld a parliamentary vote to impeach President Park, triggering her immediate dismissal, for a number of constitutional and criminal violations, including violation of the Constitution and abuse of power by allowing her confidant to exert influence on state affairs and allowing senior presidential aides to aid in her extortion from companies. After a series of trials, former President Park was sentenced to a combined 22 years of prison term and a fine of ₩21.5 billion. In light of her deteriorating health, however, former President Park was granted a special pardon by President Moon, her successor, and was released from prison in December 2021.

A special election to elect a successor to former President Park was held in May 2017 and the Republic elected Moon Jae-in as President. His term, which commenced on 10 May 2017, ended on 9 May 2022.

In March 2022, the Republic elected Yoon Suk-yeol as President. His term commenced on 10 May 2022. On 3 December 2024, President Yoon declared martial law, citing an urgent need to protect the Republic. The National Assembly swiftly voted to rescind the declaration of martial law, which led to President Yoon's revocation of the decree hours later. On 14 December 2024, the National Assembly voted in favour of President Yoon's impeachment, for his purported acts of insurrection, among others, which resulted in an immediate suspension of his presidential powers, with the prime minister simultaneously taking over the role of acting President. On 4 April 2025, the Constitutional Court unanimously upheld the National Assembly's vote to impeach President Yoon, triggering his immediate dismissal.

A special election to elect a successor to former President Yoon was held in June 2025 and the country elected Lee Jae-myung as President for a five-year term. His term commenced on 4 June 2025.

Government and Politics

Government and Administrative Structure

Governmental authority in the Republic is centralised and concentrated in a strong presidency. The President is elected by popular vote and can only serve one term of five years. The President chairs the State Council, which consists of the President, the prime minister, the deputy prime ministers, the respective heads of Government ministries and the ministers of state. The President can select the members of the State Council and appoint or remove all other Government officials, except for elected local officials.

The President can veto new legislation and take emergency measures in cases of natural disaster, serious fiscal or economic crisis, state of war or other similar circumstances. The President must promptly seek the concurrence of the National Assembly for any emergency measures taken and failing to do so automatically invalidates the emergency measures. In the case of martial law, the President may declare martial law without the consent of the National Assembly; provided, however, that the National Assembly may request the President to rescind such martial law.

The National Assembly exercises the Republic's legislative power. The Constitution and the Public Official Election Act provide for the direct election of about 84% of the members of the National Assembly and the distribution of the remaining seats proportionately among parties winning more than five seats in the direct election or receiving over 3% of the popular vote. National Assembly members serve four-year terms. The National Assembly enacts laws, ratifies treaties and approves the national budget. The executive branch drafts most legislation and submits it to the National Assembly for approval.

The Republic's judicial branch comprises the Supreme Court, the Constitutional Court and lower courts of various levels. The President appoints the Chief Justice of the Supreme Court and appoints the other Justices of the Supreme Court upon the recommendation of the Chief Justice. All appointments to the Supreme Court require the consent of the National Assembly. The Chief Justice, with the consent of the conference of Supreme Court Justices, appoints all the other judges in Korea. Supreme Court Justices serve for six years and all other judges serve for ten years. Other than the Chief Justice, justices and judges may be reappointed to successive terms.

The President formally appoints all nine judges of the Constitutional Court, but three judges must be designated by the National Assembly and three by the Chief Justice of the Supreme Court. Constitutional Court judges serve for six years and may be reappointed to successive terms.

Administratively, the Republic comprises six provinces (Gyeonggi, Chungbuk, Chungnam, Jeonnam, Gyeongbuk and Gyeongnam), three special autonomous provinces (Jeju, Gangwon and Jeonbuk), one special city (Seoul), six metropolitan cities (Busan, Daegu, Incheon, Gwangju, Daejeon and Ulsan) and one special autonomous city (Sejong). From 1961 to 1995, the national government controlled the provinces and the President appointed provincial officials. Local autonomy, including the election of provincial officials, was reintroduced in June 1995.

Political Parties

The 22nd legislative general election was held on 10 April 2024 and the term of the National Assembly members elected in the 22nd legislative general election commenced on 30 May 2024. Currently, there are three major political parties: The Democratic Party of Korea, or the DPK, the People Power Party, or the PPP, and the Rebuilding Korea Party, or the RKP.

As of 30 June 2025, the parties control the following number of seats in the National Assembly:

	DPK	PPP	RKP	Others	Total
Number of seats	167	107	12	12	298

Relations with North Korea

Relations between the Republic and North Korea have been tense over most of the Republic's history. The Korean War began with the invasion of the Republic by communist forces from the north in 1950, which was repelled by the Republic and the United Nations forces led by the United States. Following a military stalemate, an armistice was reached establishing a demilitarised zone monitored by the United Nations in the vicinity of the 38th parallel in 1953.

North Korea maintains a military force estimated at more than a million regular troops, mostly concentrated near the northern side of the demilitarised zone, and approximately 7.6 million reserves. The Republic's military forces, composed of approximately 500,000 regular troops and 3.1 million reserves, maintain a state of military preparedness along the southern side of the demilitarised zone. In addition, the United States has maintained its military presence in the Republic since the signing of the armistice and currently has approximately 28,500 troops stationed in the Republic. The Republic and the United States share a joint command structure over their military forces in Korea. In October 2014, the United States and the Republic agreed to implement a conditions-based approach to the dissolution of their joint command structure at an appropriate future date, which would allow the Republic to assume the command of its own armed forces in the event of war on the Korean peninsula. Over the years, the Republic and the United States have entered into a series of Special Measures Agreements, or SMAs, which cover the Republic's contribution to the cost of maintaining the U.S. military presence in the Republic. In March 2021, the Republic and the United States reached an agreement to enter into a new six-year SMA, under which the Republic would increase its share of the cost of the American military presence in the Republic, which became effective in September 2021 upon ratification by the National Assembly.

The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of current and future events. In particular, since the death of Kim Jong-il in December 2011, there has been increased uncertainty with respect to the future of North Korea's political leadership and concern regarding its implications for political and economic stability in the region. Kim Jong-il's third son, Kim Jong-un, has assumed power as his father's designated successor.

In addition, there have been heightened security concerns in recent years stemming from North Korea's nuclear weapons, ballistic missile and satellite programmes as well as its hostile military and other actions against Korea. Some of the significant incidents in recent years include the following:

- From time to time, North Korea has conducted ballistic missile tests. In February 2016, North Korea launched a long-range rocket in violation of its agreement with the United States as well as United Nations sanctions barring it from conducting launches that use ballistic missile technology. Despite international condemnation, North Korea released a statement that it intends to continue its rocket launch programme and it conducted a series of ballistic missile tests in 2016 and 2017. In response, the United Nations Security Council issued unanimous statements condemning North Korea and agreeing to continue to closely monitor the situation and to take further significant measures, and in December 2017, unanimously passed a resolution extending existing sanctions that were imposed on North Korea. Despite such actions, North Korea increased the frequency of its military actions since the beginning of 2022, firing numerous ballistic missiles, including intercontinental ballistic missiles, and in November 2023, successfully launched its first spy satellite.

- North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty in January 2003 and conducted three rounds of nuclear tests between October 2006 and February 2013. In January 2016, North Korea conducted a fourth nuclear test, claiming that the test involved its first hydrogen bomb. In September 2016, North Korea conducted a fifth nuclear test, claiming to have successfully detonated a nuclear warhead that could be mounted on ballistic missiles. In September 2017, North Korea announced that it successfully conducted its sixth nuclear test by detonating a hydrogen bomb designed to be

mounted on an intercontinental ballistic missile, which resulted in increased tensions in the region and elicited strong objections worldwide. In response to such tests (as well as North Korea's long-range ballistic missile programme), the United Nations Security Council unanimously passed several rounds of resolutions condemning North Korea's actions and significantly expanding the scope of the sanctions applicable to North Korea, while the United States and the European Union also imposed additional sanctions on North Korea.

- In August 2015, two Korean soldiers were injured in a landmine explosion near the Korean demilitarised zone. Claiming the landmines were set by North Koreans, the Korean army re-initiated its propaganda programme toward North Korea utilising loudspeakers near the demilitarised zone. In retaliation, the North Korean army fired artillery rounds on the loudspeakers, resulting in the highest level of military readiness for both Koreas.

- In March 2010, a Korean naval vessel was destroyed by an underwater explosion, killing many of the crewmen on board. The Government formally accused North Korea of causing the sinking, while North Korea denied responsibility. Moreover, in November 2010, North Korea fired more than one hundred artillery shells that hit Korea's Yeonpyeong Island near the Northern Limit Line, which acts as the de facto maritime boundary between Korea and North Korea on the west coast of the Korean peninsula, causing casualties and significant property damage. The Government condemned North Korea for the attack and vowed stern retaliation should there be further provocation.

North Korea's economy also faces severe challenges, which may further aggravate social and political pressures within North Korea. Although bilateral summit meetings were held between Korea and North Korea in April, May and September 2018 and between the United States and North Korea in June 2018, February 2019 and June 2019, there can be no assurance that the level of tension on the Korean peninsula will not escalate in the future or that such escalation will not have a material adverse impact on the Republic's economy and the Issuer. Any further increase in tension, which may occur, for example, if North Korea experiences a leadership crisis, high-level contacts between the Republic and North Korea or between the United States and North Korea break down or further military hostilities occur, could have a material adverse effect on the Republic's economy and the Issuer. Over the longer term, reunification of the two Koreas could occur. Reunification may entail a significant economic commitment by the Republic.

Foreign Relations and International Organisations

The Republic maintains diplomatic relations with most nations of the world, most importantly with the United States with which it entered into a mutual defence treaty and several economic agreements. The Republic also has important relationships with Japan and China, its largest trading partners together with the United States.

The Republic belongs to a number of supranational organisations, including:

- United Nations;

- the International Monetary Fund, or the IMF;

- the World Bank;

- the Asian Development Bank, or the ADB;

- the Multilateral Investment Guarantee Agency;
- the International Finance Corporation;
- the International Development Association;
- the African Development Bank;
- the International Bank for Reconstruction and Development;
- the European Bank for Reconstruction and Development;
- the Bank for International Settlements;
- the World Health Organization, or the WHO;
- the World Trade Organization, or the WTO;
- the International Atomic Energy Agency, or the IAEA;
- the Inter-American Development Bank, or the IDB;
- the Organization for Economic Co-operation and Development, or the OECD; and
- the Asian Infrastructure Investment Bank.

The Economy

The following table sets forth information regarding certain of the Republic's key economic indicators for the periods indicated.

	As of or for the year ended 31 December				
	2020	**2021**	**2022**	**2023**	**2024**
	(billions of U.S. dollars and trillions of Won, except percentages)				
GDP Growth (at current prices)	0.9%	7.9%	4.6%	3.7%	6.2%[7]
GDP Growth (at chained 2020 year prices)	(0.7)%	4.6%	2.7%	1.6%	2.0%[7]
Inflation[1]	0.5%	2.5%	5.1%	3.6%	2.3%[7]
Unemployment[2]	4.0%	3.7%	2.9%	2.7%	2.8%[7]
Trade Surplus (Deficit)[3]	$ 44.9	$ 29.3	$ (47.8)	$ (10.4)	$ 51.6[7]
Foreign Currency Reserves	$ 443.1	$ 463.1	$ 423.2	$ 420.1	$ 415.6
External Liabilities[4]	$ 550.6	$ 630.7	$ 673.3	$ 672.5	$ 670.0[7]
Fiscal Balance	₩ (71.2)	₩ (30.5)	₩ (64.6)	₩ (36.8)	₩ (43.5)[7]
Direct Internal Debt of the Government[5] (as % of GDP[6])	39.3%	43.1%	46.2%	48.1%	49.2%
Direct External Debt of the Government[5] (as % of GDP[6])	0.5%	0.5%	0.5%	0.5%	0.5%

(1) Measured by the year-on-year change in the consumer price index with base year 2020, as announced by The Bank of Korea.

(2) Average for year.

(3) Derived from customs clearance statistics on a C.I.F. basis, meaning that the price of goods includes insurance and freight cost.

(4) Calculated under the criteria based on the sixth edition of the Balance of Payment Manual published by the International Monetary Fund in December 2010.

(5) Does not include guarantees by the Government. See "*—Debt—External and Internal Debt of the Government—Guarantees by the Government*" for information on outstanding guarantees by the Government.

(6) At chained 2020 year prices.

(7) Preliminary.

Source: The Bank of Korea

Worldwide Economic and Financial Difficulties

In recent years, the global financial markets have experienced significant volatility as a result of, among other things:

- the occurrence of severe health epidemics, including the COVID-19 pandemic;
- hostilities, political or social tensions involving Russia (including the Russia-Ukraine war and ensuing actions that the United States and other countries have taken or may take in the future, such as the imposition of sanctions against Russia) and the resulting adverse effects on the global supply of oil and other natural resources and the global financial markets;
- rising inflationary pressures leading to increases in the costs of goods and services and a decrease in purchasing power;
- interest rate fluctuations as well as perceived or actual changes in policy rates, or other monetary and fiscal policies set forth, by the U.S. Federal Reserve and other central banks;
- disruptions in the global supply chain for raw materials, natural resources, consumer goods, rare earth minerals, component parts and other supplies, including as a result of health epidemics, government policies and labour shortages;
- increased uncertainties in the global financial markets and industry, including difficulties faced by several banks in the United States and Europe;
- a deterioration in economic and trade relations between the United States and its trading partners, including as a result of the imposition of significant tariffs by the United States on its trading partners;
- financial and social difficulties affecting many governments worldwide, in particular in Latin America and Europe;
- escalations in trade protectionism globally and geopolitical tensions in East Asia and the Middle East (including those resulting from the escalating hostilities in the Middle East following the Israel-Hamas war as well as in light of the ongoing Iran-Israel conflict);
- the slowdown of economic growth in China and other major emerging market economies;

- political and social instability in various countries in the Middle East, including Iran, Iraq, Syria and Yemen; and

- fluctuations in oil and commodity prices.

There has been significant volatility in global financial markets resulting from, among others, the COVID-19 pandemic, the Russia-Ukraine war and ensuing sanctions against Russia, the escalating hostilities in the Middle East following the Israel-Hamas war as well as in light of the ongoing Iran-Israel conflict, difficulties faced by several banks in the United States and Europe and significant fluctuations in policy interest rates globally, which has also led to significant volatility in the Korea Composite Stock Price Index in recent years. See "*—The Financial System—Securities Markets*". Declines in the index and large amounts of sales of Korean securities by foreign investors and subsequent repatriation of the proceeds of such sales may adversely affect the value of the Won, the foreign currency reserves held by financial institutions in Korea, and the ability of Korean companies and banks to raise capital. Moreover, the value of the Won relative to major foreign currencies in general and the U.S. dollar in particular has depreciated significantly in recent years. A depreciation of the Won generally increases the cost of imported goods and services and the required amount of the Won revenue for Korean companies to service foreign currency-denominated debt.

In light of the high level of interdependence of the global economy, any of the foregoing developments could have a material adverse effect on the Korean economy and financial markets. In addition, in the event of difficult conditions in the global credit markets or a deterioration of the global economy in the future, the Korean economy could be adversely affected and Korean banks may be forced to fund their operations at a higher cost or may be unable to raise as much funding as they need to support their lending and other activities.

In addition to the global developments, domestic developments that could lead to or contribute to a material adverse effect on the Korean economy include, among other things, the following:

- a slowdown in consumer spending and depressed consumer sentiment due to the outbreak of infectious diseases, such as the COVID-19 pandemic;

- increasing delinquencies and credit defaults by consumer and small- and medium-sized enterprise borrowers, which may occur due to, among others, higher levels of market interest rates;

- steadily rising household debt consisting of housing loans and merchandise credit, which increased to approximately Won 1,927.3 trillion as of 31 December 2024 from Won 843.2 trillion as of 31 December 2010, primarily due to increases in mortgage loans and purchases with credit cards;

- deterioration in economic or diplomatic relations between Korea and other countries resulting from territorial or trade disputes or disagreements in foreign policy;

- a substantial increase in the Government's expenditures for pension and social welfare programmes, due in part to an ageing population (defined as the population of people aged

65 years or older) that accounted for approximately 19.2% of the Republic's total population as of 31 December 2024, an increase from 7.2% as of 31 December 2000, and is expected to surpass 22.5% in 2027;

- decreases in the market prices of Korean real estate; and

- the occurrence of severe health epidemics that affect the livestock industry.

Gross Domestic Product

GDP measures the market value of all final goods and services produced within a country for a given period and reveals whether a country's productive output rises or falls over time. Economists present GDP in both current market prices and "real" or "inflation-adjusted" terms. In March 2009, the Republic adopted a method known as the "chain-linked" measure of GDP, replacing the previous fixed-base, or "constant" measure of GDP, to show the real growth of the aggregate economic activity, as recommended by the System of National Accounts 1993. GDP at current market prices values a country's output using the actual prices of each year, whereas the "chain-linked" measure of GDP is compiled by using "chained indices" linking volume growth between consecutive time periods. In March 2014, the Republic published a revised GDP calculation method by implementing the System of National Accounts 2008 and updating the reference year from 2005 to 2010 to align Korean national accounts statistics with the recommendations of the new international standards for compiling national economic accounts and to maintain comparability with other nations' accounts. The main components of these revisions include, among other things, (i) recognising expenditures for research and development and creative activity for the products of entertainment, literary and artistic originals as fixed investment, (ii) incorporating a wide array of new and revised source data such as the economic census, the population and housing census and 2010 benchmark input-output tables, which provide thorough and detailed information on the structure of the Korean economy, (iii) developing supply-use tables, which provide a statistical tool for ensuring consistency among the production, expenditure and income approaches to measuring GDP and (iv) recording merchandise trade transactions based on ownership changes rather than movements of goods across the national border. The Republic updated the reference year from 2010 to 2015 in July 2019, and from 2015 to 2020 in June 2024, to better align Korean national accounts statistics with the recommendations of the previously implemented System of National Accounts 2008, to accurately reflect recent economic structural changes, and to maintain comparability with other countries' accounts.

The following table sets out the composition of the Republic's GDP at current market and chained 2020 year prices and the annual average increase in the Republic's GDP.

	Gross Domestic Product					
	2020	2021	2022	2023	2024[1]	As % of GDP 2024[1]
	(billions of Won)					
Gross Domestic Product at Current Market Prices:						
Private	984,088.0	1,046,772.2	1,139,397.2	1,203,106.7	1,239,725.4	48.5
Government	349,586.2	378,268.2	409,866.5	428,148.6	447,056.5	17.5
Gross Capital Formation	648,928.8	721,964.5	774,411.5	768,159.8	766,388.6	30.0
Exports of Goods and Services	712,542.3	874,074.3	1,052,553.6	995,305.3	1,134,176.9	44.4
Less Imports of Goods and Services	(636,678.7)	(799,166.2)	(1,052,447.3)	(986,033.0)	(1,030,011.0)	(40.3)
Statistical Discrepancy	0.0	0.0	0.0	0.0	(479.1)	(0.0)
Expenditures on Gross Domestic Product	2,058,466.5	2,221,912.9	2,323,781.5	2,408,687.4	2,556,857.4	100.0
Net Factor Income from the Rest of the World	16,943.8	23,413.6	28,055.4	34,674.5	36,904.7	1.4
Gross National Income[2]	2,075,410.3	2,245,326.5	2,351,837.0	2,443,361.9	2,593,762.0	101.4
Gross Domestic Product at Chained 2020 Year Prices:						
Private	984,088.0	1,020,878.4	1,063,928.5	1,085,426.6	1,097,036.0	47.9
Government	349,586.2	369,293.7	384,235.8	391,677.5	400,082.5	17.5
Gross Capital Formation	648,928.8	675,845.0	676,282.5	677,134.3	661,465.3	28.9
Exports of Goods and Services	712,542.3	789,432.2	820,347.6	848,332.6	906,303.1	39.5
Less Imports of Goods and Services	(636,678.7)	(701,537.0)	(730,672.0)	(752,696.6)	(771,407.8)	(33.7)
Statistical Discrepancy	0.0	(489.4)	(842.9)	(221.4)	220.2	0.0
Expenditures on Gross Domestic Product[3]	2,058,466.5	2,153,422.9	2,212,158.9	2,247,177.7	2,292,202.4	100.0
Net Factor Income from the Rest of the World in the Terms of Trade	16,943.8	22,553.7	25,584.2	31,083.4	32,301.5	1.4
Trading Gains and Losses from Changes in the Terms of Trade	0.0	(21,620.0)	(94,623.4)	(91,660.0)	(51,879.6)	(2.3)
Gross National Income[4]	2,075,410.3	2,154,356.5	2,143,107.5	2,186,579.3	2,272,601.1	99.1
Percentage Increase (Decrease) of GDP over Previous Year:						
At Current Prices	0.9	7.9	4.6	3.7	6.2	
At Chained 2020 Year Prices	(0.7)	4.6	2.7	1.6	2.0	

(1) Preliminary.

(2) GDP plus net factor income from the rest of the world is equal to the Republic's gross national income.

(3) Under the "chain-linked" measure of GDP, the components of GDP will not necessarily add up to the total GDP.

(4) Under the "chain-linked" measure of Gross National Income, the components of Gross National Income will not necessarily add up to the total Gross National Income.

Source: The Bank of Korea

The following table sets out the Republic's GDP by economic sector at current market prices:

	Gross Domestic Product by Economic Sector (at current market prices)					
	2020	2021	2022	2023	2024[1]	As % of GDP 2024[1]
	(billions of Won)					
Industrial Sectors:	719,110.4	773,620.4	789,147.0	818,260.2	904,125.1	35.4
Agriculture, Forestry and Fishing	32,481.6	36,998.4	33,656.4	34,871.5	37,285.4	1.5
Manufacturing, Mining and Quarrying	530,768.1	585,053.1	617,557.4	615,334.3	682,814.6	26.7
Mining and Quarrying	1,737.2	1,843.5	1,807.8	2,199.5	2,231.0	0.1
Manufacturing	529,030.9	583,209.6	615,749.6	613,134.8	680,583.6	26.6
Electricity, Gas and Water Supply	45,605.3	37,579.5	16,493.8	43,159.0	61,455.6	2.4
Construction	110,255.4	113,989.4	121,439.4	124,895.4	122,569.5	4.8
Services:	1,171,665.8	1,264,275.9	1,349,454.4	1,418,346.5	1,470,206.0	57.5
Wholesale and Retail Trade, Accommodation and Food Services	214,871.3	227,253.6	248,366.2	257,714.3	264,793.9	10.4
Transportation and Storage	66,603.8	82,702.3	95,655.6	99,398.5	103,383.0	4.0
Finance and Insurance	110,016.4	124,021.2	136,404.4	138,480.1	139,729.3	5.5
Real Estate	161,030.1	162,658.9	158,314.6	161,757.8	168,109.5	6.6
Information and Communication	89,215.3	102,319.0	103,549.3	109,212.6	114,001.9	4.5
Business Activities	156,652.6	166,098.7	177,636.8	195,980.4	200,094.9	7.8
Public Administration, Defence and Social Security	129,850.9	138,688.7	149,078.6	155,941.9	164,768.8	6.4
Education	90,436.1	96,862.5	101,581.8	105,710.7	109,857.9	4.3
Human Health and Social Work	106,034.6	114,340.0	123,519.0	129,825.3	137,316.8	5.4
Cultural and Other Services	46,954.8	49,330.9	55,348.1	64,324.9	68,150.0	2.7
Taxes Less Subsidies on Products	167,690.3	184,016.7	185,180.2	172,080.7	182,526.4	7.1
Gross Domestic Product at Current Market Prices	2,058,466.5	2,221,912.9	2,323,781.5	2,408,687.4	2,556,857.4	100.0
Net Factor Income from the Rest of the World	16,943.8	23,413.6	28,055.4	34,674.5	36,904.7	1.4
Gross National Income at Current Market Price	2,075,410.3	2,245,326.5	2,351,837.0	2,443,361.9	2,593,762.0	101.4

(1) Preliminary.

Source: The Bank of Korea

The following table sets out the Republic's GDP per capita:

	Gross Domestic Product per capita (at current market prices)				
	2020	**2021**	**2022**	**2023**	**2024[1]**
GDP per capita (thousands of Won)	39,711	42,919	44,971	46,578	49,407
GDP per capita (U.S. dollar)	33,652	37,503	34,809	35,681	36,223
Average Exchange Rate (in Won per U.S. dollar)	1,180.1	1,144.4	1,292.0	1,305.4	1,364.0

(1) Preliminary.

Source: The Bank of Korea

The following table sets out the Republic's Gross National Income, or GNI, per capita:

	Gross National Income per capita (at current market prices)				
	2020	**2021**	**2022**	**2023**	**2024[1]**
GNI per capita (thousands of Won)	40,038	43,372	45,514	47,249	50,120
GNI per capita (U.S. dollar)	33,929	37,898	35,228	36,195	36,745
Average Exchange Rate (in Won per U.S. dollar)	1,180.1	1,144.4	1,292.0	1,305.4	1,364.0

(1) Preliminary.

Source: The Bank of Korea

The following table sets out the Republic's GDP by economic sector:

	Gross Domestic Product by Economic Sector (at chained 2020 year prices)					
	2020	2021	2022	2023	2024[1]	As % of GDP 2024[1]
	(billions of Won)					
Industrial Sectors:	719,110.4	754,589.3	771,177.9	777,094.3	799,717.0	34.9
Agriculture, Forestry and Fishing	32,481.6	33,598.5	33,866.3	33,239.9	33,452.8	1.5
Manufacturing, Mining and Quarrying	530,768.1	565,269.6	579,036.4	587,525.2	612,533.6	26.7
Mining and Quarrying	1,737.2	1,974.8	1,785.3	1,748.2	1,620.8	0.1
Manufacturing	529,030.9	563,294.8	577,227.8	585,750.1	610,925.5	26.7
Electricity, Gas and Water Supply	45,605.3	46,403.2	48,020.4	46,767.1	48,309.2	2.1
Construction	110,255.4	109,318.0	110,254.8	109,562.1	105,421.4	4.6
Services:	1,171,665.8	1,222,603.2	1,269,070.6	1,303,096.2	1,324,200.8	57.8
Wholesale and Retail Trade, Accommodation and Food Services	214,871.3	219,693.4	231,974.4	225,315.5	222,021.2	9.7
Transportation and Storage	66,603.8	73,634.5	82,748.1	96,656.7	105,152.6	4.6
Finance and Insurance	110,016.4	117,411.7	120,645.5	121,470.6	125,704.2	5.5
Real Estate	161,030.1	163,741.0	160,447.8	161,591.7	164,810.0	7.2
Information and Communication	89,215.3	97,513.5	99,786.9	104,404.3	104,960.0	4.6
Business Activities	156,652.6	159,603.6	163,453.3	170,792.4	169,644.0	7.4
Public Administration, Defence and Social Security	129,850.9	134,868.3	139,003.2	141,575.3	144,757.3	6.3
Education	90,436.1	95,484.0	98,708.1	99,980.4	101,155.4	4.4
Human Health and Social Work	106,034.6	112,370.6	119,255.3	122,755.8	127,459.8	5.6
Cultural and Other Services	46,954.8	48,282.6	52,244.1	56,689.6	57,543.0	2.5
Taxes Less Subsidies on Products	167,690.3	176,230.4	172,134.2	165,969.0	168,062.9	7.3
Gross Domestic Product[2]	2,058,466.5	2,153,422.9	2,212,158.9	2,247,177.7	2,292,202.4	100.0

(1) Preliminary.

(2) Under the "chain-linked" measure of GDP, the components of GDP will not necessarily add up to the total GDP.

Source: The Bank of Korea

GDP in 2020 contracted by 0.7% at chained 2020 year prices, primarily due to a 4.6% decrease in private consumption expenditures and a 1.7% decrease in exports of goods and services, which were offset in significant part by a 3.3% decrease in imports of goods and services, a 5.2% increase in general government consumption expenditures and a 2.8% increase in gross domestic fixed capital formation, each compared with 2019. The contraction of the Republic's GDP in 2020 was primarily due to the COVID-19 pandemic.

GDP growth in 2021 was 4.6% at chained 2020 year prices, as exports of goods and services increased by 10.8%, aggregate private and general government consumption expenditures increased by 4.2% and gross domestic fixed capital formation increased by 4.3%, which more than offset an increase in imports of goods and services by 10.2%, each compared with 2020.

GDP growth in 2022 was 2.7% at chained 2020 year prices, as aggregate private and general government consumption expenditures increased by 4.2% and exports of goods and services increased by 3.9%, which more than offset an increase in imports of goods and services by 4.2% and a decrease in gross fixed capital formation by 0.2%, each compared with 2021.

GDP growth in 2023 was 1.6% at chained 2020 year prices, as exports of goods and services increased by 3.4% and aggregate private and general government consumption expenditures increased by 2.0%, which was offset in significant part by a 3.0% increase in imports of goods and services, each compared with 2022.

Based on preliminary data, GDP growth in 2024 was 2.0% at chained 2020 year prices, as exports of goods and services increased by 6.8% and aggregate private and general government consumption expenditures increased by 1.4%, which was offset in part by a 2.5% increase in imports of goods and services and a 0.8% decrease in gross domestic fixed capital formation, each compared with 2023.

Based on preliminary data, GDP in the first quarter of 2025 contracted by 0.1% at chained 2020 year prices, primarily due to a 4.1% decrease in gross domestic fixed capital formation and a 1.2% increase in imports of goods and services, the effects of which were offset in part by a 0.9% increase in aggregate private and general government consumption expenditures and a 0.6% increase in exports of goods and services, each compared with the corresponding period of 2024.

Principal Sectors of the Economy

Industrial Sectors

The following table sets out production indices for the principal industrial products of the Republic and their relative contribution to total industrial production:

	Industrial Production (2020 = 100)					
	Index Weight[1]	2020	2021	2022	2023	2024[2]
Industries	10,000.0	100.0	108.2	108.8	108.8	113.2
Mining and Manufacturing	9,555.0	100.0	108.2	108.8	108.8	113.2
Mining	23.0	100.0	94.2	95.8	113.9	95.5
Manufacturing	9,532.0	100.0	108.2	108.8	108.8	113.2
Food Products	485.9	100.0	111.7	114.0	109.3	125.3
Beverage Products	102.0	100.0	93.0	91.4	77.7	75.3
Tobacco Products	44.7	100.0	88.4	93.2	100.9	114.2
Textiles	110.6	100.0	104.3	100.4	82.1	81.3
Wearing Apparel, Clothing Accessories and Fur Articles	83.2	100.0	137.3	117.6	114.0	73.6
Tanning and Dressing of Leather, Luggage and Footwear	17.6	100.0	92.0	78.7	49.4	36.0
Wood and Products of Wood and Cork (Except Furniture)	31.0	100.0	80.4	89.5	94.5	77.9
Pulp, Paper and Paper Products	133.8	100.0	97.5	95.1	93.7	102.3
Printing and Reproduction of Recorded Media	43.9	100.0	109.4	129.3	118.0	110.7
Coke, hard-coal and lignite fuel briquettes and Refined Petroleum Products	354.5	100.0	98.4	101.9	104.3	108.8
Chemicals and Chemical Products	756.8	100.0	105.9	93.6	91.0	96.3
Pharmaceuticals, Medicinal Chemicals and Botanical Products	288.9	100.0	96.2	111.7	141.2	157.3
Rubber and Plastic Products	414.8	100.0	104.5	110.9	112.8	120.3
Non-metallic Minerals	213.6	100.0	107.6	96.4	84.9	95.3
Basic Metals	600.2	100.0	101.0	95.5	97.5	97.2
Fabricated Metal Products	495.9	100.0	83.7	82.7	93.4	112.7
Electronic Components, Computer, Radio, Television and Communication Equipment and Apparatuses	2,402.9	300.0	342.5	316.7	329.7	335.2
Medical, Precision and Optical Instruments, Watches and Clocks	389.1	300.0	297.5	365.1	364.4	388.9
Electrical Equipment	478.2	100.0	113.4	138.3	120.8	94.4
Other Machinery and Equipment	776.7	100.0	116.6	113.4	108.6	100.3
Motor Vehicles, Trailers and Semitrailers	1,014.2	100.0	109.6	121.0	137.1	135.5
Other Transport Equipment	144.1	100.0	93.3	108.0	103.4	110.8
Furniture	43.1	100.0	72.9	64.1	52.4	50.7
Other Products	106.3	200.0	232.8	340.2	243.9	278.1
Electricity, Gas	445.0	100.0	104.9	107.5	103.5	105.1
Total Index	10,000.0	100.0	108.2	108.8	108.8	113.2

(1) Index weights were established on the basis of an industrial census in 2020 and reflect the average annual value added by production in each of the classifications shown, expressed as a percentage of total value added in the mining, manufacturing and electricity and gas industries in that year.

(2) Preliminary.

Source: The Bank of Korea; Korea National Statistical Office

Industrial production decreased by 0.3% in 2020, primarily due to decreased domestic consumption and exports resulting from the COVID-19 pandemic. Industrial production recovered and increased by 8.2% in 2021, primarily due to increased exports and domestic consumption. Industrial production increased by 0.6% in 2022, primarily due to increased exports and domestic consumption. Industrial production remained stable in 2023. Based on preliminary data, industrial production increased by 4.0% in 2024, primarily due to increased exports.

Manufacturing

The manufacturing sector decreased production by 0.4% in 2020, primarily due to decreased demand for automobiles. The manufacturing sector increased production by 8.2% in 2021, primarily due to increased demand for consumer electronics products, electronic components (including semiconductors) and machinery. The manufacturing sector increased production by 0.6% in 2022, primarily due to increased demand for electrical equipment and automobiles. Production levels for the manufacturing sector remained stable in 2023. Based on preliminary data, the manufacturing sector increased production by 4.0% in 2024, primarily due to increased demand for electronic components (including semiconductors) and pharmaceuticals.

Automobiles. In 2020, automobile production decreased by 11.2% and export sales volume recorded a decrease of 21.4%, compared with 2019, primarily due to a general decline in global demand for automobiles caused by the COVID-19 pandemic, which outpaced a 4.7% increase in domestic sales volume from 2019 to 2020, primarily due to increased domestic demand for automobiles. In 2021, automobile production decreased by 1.3% and domestic sales volume recorded a decrease of 8.5%, compared with 2020, primarily due to the global shortage of semiconductors amid the COVID-19 pandemic, but export sales volume recorded an increase of 8.6% compared with 2020, primarily due to an increase in the market share of domestic automobile manufacturers in the global automotive market. In 2022, automobile production increased by 8.5% and export sales volume recorded an increase of 12.7%, compared with 2021, primarily due to an increase in demand for Korean automobiles in the global automotive market as well as the gradual easing of the global shortage of automotive semiconductors in the second half of 2022, but domestic sales volume recorded a decrease of 3.2% compared with 2021, primarily due to the global shortage of automotive semiconductors during the first half of 2022. In 2023, automobile production increased by 13.0%, export sales volume recorded an increase of 20.3% and domestic sales volume recorded an increase of 3.3%, compared with 2022, primarily due to the continued easing of the global shortage of automotive semiconductors and increased global and domestic demand for environmentally-friendly automobiles. Based on preliminary data, in 2024, automobile production decreased by 2.7% and domestic sales volume recorded a decrease of 6.5%, compared with 2023, primarily due to a decrease in demand for automobiles following a deterioration in domestic economic conditions, but export sales volume recorded an increase of 0.6% compared with 2023, primarily due to an increase in demand for environmentally-friendly automobiles in the global automotive market.

Electronics. In 2020, electronics production amounted to ₩329,872 billion, an increase of 2.2% from the previous year, and exports of electronics amounted to US$183.5 billion, an increase of 3.7% from the previous year, primarily due to an increase in demand for semiconductors, computers and other electronic apparatuses. In 2020, export sales of semiconductor memory chips constituted approximately 19.5% of the Republic's total exports. In 2021, electronics production amounted to ₩370,907 billion, an increase of 12.4% from the previous year, and exports amounted to US$227.6 billion, an increase of 24.0% from the previous year, primarily due to an increase in demand for semiconductors, display panels, mobile devices, solid state drives and secondary cell batteries. In 2021, export sales of semiconductor memory chips constituted approximately 20.0% of the Republic's total exports. In 2022, electronics production amounted to ₩378,091 billion, an increase of 1.9% from the previous year, and exports amounted to US$233.2 billion, an increase of 2.5% from the previous year, primarily due to an increase in demand for semiconductors, display panels and secondary cell batteries. In 2022, export sales of semiconductor memory chips constituted approximately 19.1% of the Republic's total exports. Based on preliminary data, in 2023, electronics production amounted to ₩327,651 billion, a decrease of 13.3% from the previous year, and exports amounted to US$186.8 billion, a decrease of 19.9% from the previous year, primarily due to a decrease in demand for semiconductors, computers and other electronic apparatuses. In 2023, export sales of semiconductor memory chips constituted approximately 15.8% of the Republic's total exports. Based on preliminary data, in 2024, electronics production amounted to ₩373,322 billion, an increase of 13.9% from the previous year, and exports amounted to US$235.1 billion, an increase of 25.9% from the previous year, primarily due to an increase in demand for semiconductors, computers and other electronic apparatuses. In 2024, export sales of semiconductor memory chips constituted approximately 20.8% of the Republic's total exports.

Iron and Steel. In 2020, crude steel production totalled 67.1 million tons, a decrease of 6.0% from 2019, primarily due to adverse conditions in the construction and shipbuilding industries in light of the COVID-19 pandemic, and export sales volume of iron and steel products decreased by 5.0%, primarily due to a decrease in global demand for crude steel products resulting from the COVID-19 pandemic. In 2021, crude steel production totalled 70.4 million tons, an increase of 4.9% from 2020, primarily due to an increase in domestic demand for crude steel products following a gradual economic recovery from the COVID-19 pandemic, but export sales volume of iron and steel products decreased by 6.1%, primarily due to an increase in the price of steel products coupled with a decrease in global demand for crude steel products resulting from the COVID-19 pandemic. In 2022, crude steel production totalled 65.8 million tons, a decrease of 6.5% from 2021, primarily due to disruptions in supply chain resulting from the Russia-Ukraine war and the temporary closure of steel production plants in Korea due to a typhoon during the course of 2022, and export sales volume of iron and steel products decreased by 5.3%, primarily due to a decrease in global demand for crude steel products resulting from the lingering effects of the COVID-19 pandemic and a general slowdown of the global economy. In 2023, crude steel production totalled 66.7 million tons, an increase of 1.3% from 2022, primarily due to the re-opening of steel production plants in Korea following the recovery from the damage caused by a typhoon during 2022, and export sales volume of iron and steel products increased by 6.5%, primarily due to an increase in demand for crude steel products from North America and Japan. Based on preliminary data, in 2024, crude steel production totalled 63.5 million tons, a decrease of 4.8% from 2023, primarily due to a decrease in domestic demand for crude steel products resulting from adverse conditions in the construction and shipbuilding industries, although export sales volume of iron and steel products increased by 3.7%, primarily due to an increase in demand for crude steel products from export destinations in Europe, Mexico and India.

Shipbuilding. In 2020, the Republic's shipbuilding orders amounted to approximately 8 million compensated gross tons, a decrease of 20.0% compared to 2019, primarily due to the adverse conditions in the domestic and global shipbuilding industry resulting from the COVID-19 pandemic. In 2021, the Republic's shipbuilding orders amounted to approximately 17 million compensated gross tons, an increase of 112.5% compared to 2020, primarily due to increased demand for container carriers and LNG carriers. In 2022, the Republic's shipbuilding orders amounted to approximately 16 million compensated gross tons, a decrease of 5.9% compared to 2021, primarily due to a decrease in demand for oil tankers and container carriers. In 2023, the Republic's shipbuilding orders amounted to approximately 10 million compensated gross tons, a decrease of 37.5% compared to 2022, primarily due to decreased demand for container carriers and LNG carriers. Based on preliminary data, in 2024, the Republic's shipbuilding orders amounted to approximately 11 million compensated gross tons, an increase of 9.1% compared to 2023, primarily due to an increase in demand for LNG carriers, oil tankers and container carriers.

Agriculture, Forestry and Fisheries

The Government's agricultural policy has traditionally focused on:

- grain production;
- development of irrigation systems;
- land consolidation and reclamation;
- seed improvement;
- mechanisation measures to combat drought and flood damage; and
- increasing agricultural incomes.

Recently, however, the Government has increased emphasis on cultivating profitable crops and strengthening international competitiveness as a result of the continued opening of the domestic agricultural market.

In 2020, rice production decreased 5.4% from 2019 to 3.5 million tons. In 2021, rice production increased 11.4% from 2020 to 3.9 million tons. In 2022, rice production decreased 2.6% from 2021 to 3.8 million tons. In 2023, rice production decreased 2.6% from 2022 to 3.7 million tons. In 2024, rice production decreased 2.7% from 2023 to 3.6 million tons. Due to limited crop yields resulting from geographical and physical constraints, the Republic depends on imports for certain basic foodstuffs.

The Government is seeking to develop the fishing industry by encouraging the building of large fishing vessels and modernising fishing equipment, marketing techniques and distribution outlets.

In 2020, the agriculture, forestry and fisheries industry decreased by 6.7% compared to 2019, primarily due to a decrease in farming and livestock production. In 2021, the agriculture, forestry and fisheries industry increased by 3.4% compared to 2020, primarily due to an increase in farming and fisheries

production. In 2022, the agriculture, forestry and fisheries industry increased by 0.8% compared to 2021, primarily due to an increase in livestock production. Based on preliminary data, in 2023, the agriculture, forestry and fisheries industry decreased by 2.6% compared to 2022, primarily due to a decrease in farming and livestock production. Based on preliminary data, in 2024, the agriculture, forestry and fisheries industry increased by 0.8% compared to 2023, primarily due an increase in farming and livestock production.

Construction

In 2020, the construction industry decreased by 0.4% compared to 2019, primarily due to a decrease in the construction of residential buildings. In 2021, the construction industry decreased by 0.9% compared to 2020, primarily due to a decrease in the construction of residential buildings. In 2022, the construction industry increased by 0.9% compared to 2021, primarily due to an increase in the construction of commercial buildings. Based on preliminary data, in 2023, the construction industry increased by 3.1% compared to 2022, primarily due to an increase in the construction of commercial buildings. Based on preliminary data, in 2024, the construction industry decreased by 2.8% compared to 2023, primarily due to a decrease in the construction of residential buildings.

Electricity and Gas

The following table sets out the Republic's dependence on imports for energy consumption:

	Dependence on Imports for Energy Consumption		
	Total Primary Energy Supply	Imports	Imports Dependence Ratio
	(millions of tons of oil equivalents[1], except ratios)		
2020	285.6	271.3	95.0
2021	300.6	285.0	94.8
2022	304.0	287.0	94.4
2023[2]	297.6	279.4	93.9
2024[2]	303.5	284.1	93.6

(1) Conversion to tons of oil equivalents was calculated based on energy conversion factors under the Energy Act Enforcement Decree as amended in July 2017.

(2) Preliminary.

Source: Korea Energy Economics Institute; Korea National Statistical Office

Korea has almost no domestic oil or gas production and depends on imported oil and gas to meet its energy requirements. Accordingly, the international prices of oil and gas significantly affect the Korean economy. Any significant long-term increase in the prices of oil and gas will increase inflationary pressures in Korea and adversely affect the Republic's balance of trade.

To reduce its dependence on oil and gas imports, the Government has encouraged energy conservation and energy source diversification emphasising nuclear energy. The following table sets out the principal primary sources of energy supplied in the Republic, expressed in oil equivalents and as a percentage of total energy consumption.

	Primary Energy Supply by Source											
	Coal		Gas		Oil		Nuclear		Others[1]		Total	
	Quantity	%	Quantity	%	Quantity	%	Quantity	%	Quantity	%	Quantity	%
	(millions of tons of oil equivalents[2], except percentages)											
2020	75,983	26.6	53,956	18.9	107,971	37.8	34,119	11.9	13,524	4.7	285,553	100.0
2021	76,968	25.6	59,628	19.8	115,205	38.3	33,657	11.2	15,092	5.0	300,550	100.0
2022	75,869	25.0	59,203	19.5	114,676	37.7	37,500	12.3	16,732	5.5	303,980	100.0
2023[3]	73,700	24.8	56,648	19.0	111,036	37.3	38,445	12.9	17,769	6.0	297,598	100.0
2024[3]	69,682	23.0	60,900	20.1	113,888	37.5	40,205	13.2	18,859	6.2	303,534	100.0

(1) Includes hydro-electric power, biofuels and waste-based energy, geothermal and solar power and heat.

(2) Conversion to tons of oil equivalents was calculated based on energy conversion factors under the Energy Act Enforcement Decree as amended in July 2017.

(3) Preliminary.

Source: Korea Energy Economics Institute; The Bank of Korea

The Republic's first nuclear power plant went into full operation in 1978 with a rated generating capacity of 587 megawatts. As of 31 December 2024, the Republic had 26 nuclear plants with a total estimated nuclear power installed generating capacity of 26,050 megawatts and four nuclear plants under construction.

In February 2025, the Government announced the Eleventh Basic Plan of Long-Term Electricity Supply and Demand for the period from 2024 to 2038, which focuses on, among other things, (i) promoting the use of scientific methods to estimate and calculate future electricity demand, (ii) pursuit of energy mix that prioritises supply stability, efficiency and carbon neutrality, (iii) expansion of carbon-free energy sources instead of converting ageing coal-fired generation plants into LNG power plants, (iv) expansion of power grid systems that take into account the construction of new facilities for renewable energy and (v) effective utilisation of the energy market to enhance supply stability and energy distribution. Furthermore, the Eleventh Basic Plan includes the following implementation measures: (i) continued utilisation of nuclear power as a carbon-free energy source, (ii) systematic expansion of renewable energy sources while attaining greenhouse gas reduction goals, (iii) expansion of clean hydrogen- and ammonia-based power generation and (iv) incorporation of district energy systems into the national electricity supply and demand management framework.

Services Sector

In 2020, the service industry decreased by 0.7% compared to 2019 as the arts, sports and recreation related services sector decreased by 31.9%, the accommodation and food service activities sector decreased by 17.9% and the transportation and storage sector decreased by 12.4%, each compared with 2019. In 2021, the service industry increased by 8.8% compared to 2020 as the arts, sports and recreation related services sector increased by 18.8%, the information and communications sector increased by 14.6% and the transportation and storage sector increased by 11.9%, each compared with

2020. In 2022, the service industry increased by 11.6% compared to 2021 as the arts, sports and recreation related services sector increased by 48.5%, the transportation and storage sector increased by 30.5% and the accommodation and food services sector increased by 25.6%, each compared with 2021. In 2023, the service industry increased by 4.8% compared to 2022 as the arts, sports and recreation related services sector increased by 9.8%, the membership organisations, repair and other personal services sector increased by 8.9% and the financial and insurance activities sector increased by 8.1%, each compared with 2022. Based on preliminary data, in 2024, the service industry increased by 3.2% compared to 2023 as the transportation and storage sector increased by 7.6%, the information and communications sector increased by 6.5% and the arts, sports and recreation related services sector increased by 3.7%, each compared with 2023.

Prices, Wages and Employment

The following table shows selected price and wage indices and unemployment rates:

	Producer Price Index[1]	Increase (Decrease) Over Previous Year	Consumer Price Index[1]	Increase (Decrease) Over Previous Year	Wage Index[1][2]	Increase (Decrease) Over Previous Year	Unemployment Rate[1][3]
	(2020=100)	(%)	(2020=100)	(%)	(2015=100)	(%)	(%)
2020	100.0	(0.5)	100.0	0.5	115.5	(0.6)	4.0
2021	106.4	6.4	102.5	2.5	123.5	6.9	3.7
2022	115.3	8.4	107.7	5.1	130.7	5.8	2.9
2023	117.1	1.6	111.6	3.6	134.9	3.2	2.7
2024	119.1	1.7	114.2	2.3	N/A[4]	N/A[4]	2.8

(1) Average for the year.

(2) Nominal wage index of average earnings in the manufacturing industry.

(3) Expressed as a percentage of the economically active population.

(4) Not available.

Source: The Bank of Korea; Korea National Statistical Office

In 2020, the inflation rate increased to 0.5%, primarily due to increases in agricultural and livestock product prices. In 2021, the inflation rate increased to 2.5%, primarily due to increases in agricultural and livestock product prices and oil prices. In 2022, the inflation rate increased to 5.1%, primarily due to increases in agricultural and livestock product prices and oil prices. In 2023, the inflation rate decreased to 3.6%, primarily due to a slower rate of increase in the prices of agricultural and livestock products and oil. Based on preliminary data, in 2024, the inflation rate decreased to 2.3% despite increases in agricultural and livestock product prices, primarily due to a slower rate of increase in the prices of personal services, electricity, gas, water and processed goods and, to a lesser extent, a decrease in oil prices. Based on preliminary data, the inflation rate was 2.1% in the first quarter of 2025.

In 2020, the unemployment rate increased to 4.0%, primarily due to the COVID-19 pandemic. In 2021, the unemployment rate decreased to 3.7%, reflecting a gradual recovery of the Korean economy from the COVID-19 pandemic. In 2022, the unemployment rate decreased to 2.9%, reflecting a gradual recovery of the Korean economy from the COVID-19 pandemic. In 2023, the unemployment rate

decreased to 2.7%, primarily due to an increase in the number of workers employed in the service industry. Based on preliminary data, in 2024, the unemployment rate increased to 2.8%, primarily due to a decrease in the number of workers employed in the manufacturing and construction sectors. Based on preliminary data, the unemployment rate was 3.4% in the first quarter of 2025.

From 1992 to 2009, the economically active population of the Republic increased by approximately 24.8% to 24.3 million, while the number of employees increased by approximately 23.7% to 23.5 million. The economically active population over 15 years old as a percentage of the total over-15 population has remained between 62% and 65% over the past decade. Literacy among workers under 50 is almost universal. As of 31 December 2024, the economically active population of the Republic was 29.4 million and the number of employees was 28.6 million.

The following table shows selected employment information by industry and by gender:

	2020	2021	2022	2023	2024
	(all figures in percentages, except as indicated)				
Labour force (in thousands of persons)	26,904	27,273	28,089	28,416	28,576
Employment by Industry:					
Agriculture, Forestry and Fishing	5.4	5.3	5.4	5.3	5.2
Mining and Manufacturing	16.3	16.1	16.1	15.7	15.6
S.O.C & Services	78.3	78.6	78.5	79.0	79.2
Electricity, Transport, Communication and Finance	11.8	12.3	12.4	12.5	12.9
Business, Private & Public Service and Other Services	38.0	38.6	39.0	39.4	39.6
Construction	7.5	7.7	7.6	7.4	7.2
Wholesale & Retail Trade, Hotels and Restaurants	21.0	20.0	19.6	19.6	19.4
Total Employed	100.0	100.0	100.0	100.0	100.0
Employment by Gender:					
Male	57.2	57.0	56.7	56.1	55.7
Female	42.8	43.0	43.3	43.9	44.3
Total Employed	100.0	100.0	100.0	100.0	100.0

Source: The Bank of Korea

Pursuant to certain amendments to the Labor Standards Act that became effective on 1 July 2018, the maximum working hours of employees have been reduced from 68 hours per week to 52 hours per week, and the number of special industries that are exempt from restrictions on maximum working hours will be significantly reduced. This new maximum working hours restriction under the amended Labor Standards Act is in effect for workplaces with 300 or more workers from 1 July 2018, and has been extended to workplaces with 50 or more but fewer than 300 workers from 1 January 2020, and has been further extended to workplaces with five or more but fewer than 50 workers from 1 July 2021.

Labour unrest in connection with demands by unionised workers for better wages and working conditions and greater job security occurs from time to time in the Republic. Some of the significant incidents in recent years include the following:

- In October, November and December 2020, unionised workers at GM Korea went on partial strikes during wage and collective agreement negotiations.

- In November and December 2020, unionised workers at Kia went on partial strikes demanding higher wages, performance-based incentives and other benefits.

- In November and December 2021, unionised workers at Hankook Tire & Technology, one of Korea's largest tyre makers, went on a full strike demanding higher wages and performance-based incentive payments.

- In 2021, unionised workers at CJ Logistics, one of Korea's largest freight transportation companies, went on a series of partial strikes and demonstrations, demanding higher wages commensurate with increases in parcel delivery fees.

- In June and November 2022, unionised truck drivers across various industries went on nationwide strikes demanding that a minimum pay system based on freight rates be made permanent and expanded in scope.

- In 2022, subcontracted workers of Daewoo Shipping and Marine Engineering went on a full strike demanding higher wages.

- In September 2023, the National Railroad Workers' Union went on strike demanding improved pay and working conditions and an expansion of the KTX bullet train services.

- In November 2023, unionised Seoul subway workers went on strike in protest of the city-run Seoul Metro's bid to downsize its workforce.

- In early 2024, thousands of doctors went on strike to protest the Government's plans to increase the number of medical school admissions, and to demand higher pay and reductions in their workload, among others.

- In December 2024, the National Railroad Workers' Union and Seoul Subway Workers' Union went on strike demanding increased pay and improved working conditions.

Actions such as these by labour unions may hinder implementation of the labour reform measures and disrupt the Government's plans to create a more flexible labour market. Although much effort is being expended to resolve labour disputes in a peaceful manner, there can be no assurance that further labour unrest will not occur in the future. Continued labour unrest in key industries of the Republic may have an adverse effect on the economy.

In 1997, the Korean Confederation of Trade Unions organised a political alliance, which led to the formation of the Democratic Labor Party in January 2000. The Democratic Labor Party merged with The New People's Participation Party and changed its name to The Unified Progressive Party, or the UPP, in December 2011. In October 2012, the UPP split and seven UPP members of the National Assembly and their supporters formed a new party, the Progressive Justice Party, which changed its name to the Justice Party in July 2013. In December 2014, the Constitutional Court ordered the dissolution of the UPP and the removal of the party's five lawmakers from the National Assembly for violating the Republic's Constitution after certain of its members were convicted of trying to instigate an armed rebellion and supporting North Korea. In the legislative general election held on 13 April

2016, the Justice Party won six seats in the National Assembly, and the members-elect began their four-year terms on 30 May 2016. As of 31 December 2024, the Justice Party did not hold any seat in the National Assembly.

Population and Birthrate

Both the population and birthrate in the Republic have been declining for most of the recent past. The population has decreased by 1.2% from 2020 to 2024, and the birthrate has decreased by 10.7% over the same period.

The following table shows the population and birthrate of the Republic:

	2020	2021	2022	2023	2024
Population (in thousands of persons)	51,829	51,639	51,439	51,325	51,217
Birthrate (percentage)[1]	0.84	0.81	0.78	0.72	0.75[2]

(1) Represents the average number of children a woman gives birth to over her lifetime.

(2) Preliminary.

Source: Ministry of the Interior and Safety; Korea National Statistical Office

The Financial System

Structure of the Financial Sector

The Republic's financial sector includes the following categories of financial institutions:

- The Bank of Korea;
- banking institutions;
- non-bank financial institutions; and
- other financial entities, including:
    - financial investment companies;
    - credit guarantee institutions;
    - venture capital companies; and
    - miscellaneous others.

To increase transparency in financial transactions and enhance the integrity and efficiency of the financial markets, Korean law requires that financial institutions confirm that their clients use their real names when transacting business. The Government also strengthened confidentiality protection for private financial transactions.

In July 2007, the Korean National Assembly passed the Financial Investment Services and Capital Markets Act, or the FSCMA, under which various industry-based capital markets regulatory systems were consolidated into a single regulatory system. The FSCMA, which became effective in February 2009, expands the scope of permitted investment-related financial products and activities through expansive definitions of financial instruments and function-based regulations that allow financial investment companies to offer a wider range of financial services, as well as strengthening investor protection and disclosure requirements.

Prior to the effective date of the FSCMA, separate laws regulated various types of financial institutions depending on the type of the financial institution (for example, securities companies, futures companies, trust business companies and asset management companies) and subjected financial institutions to different licensing and ongoing regulatory requirements (for example, under the Securities and Exchange Act, the Futures Trading Act and the Indirect Investment Asset Management Business Act). By applying one uniform set of rules to financial businesses having the same economic function, the FSCMA attempts to improve and address issues caused by the previous regulatory system under which the same economic function relating to capital markets-related business were governed by multiple regulations. To this end, the FSCMA categorises capital markets-related businesses into six different functions as follows:

- investment dealing (trading and underwriting of financial investment products);
- investment brokerage (brokerage of financial investment products);
- collective investment (establishment of collective investment schemes and the management thereof);
- investment advice;
- discretionary investment management; and
- trusts (together with the five businesses set forth above, the Financial Investment Businesses).

Accordingly, all financial businesses relating to financial investment products are classified as one or more of the Financial Investment Businesses described above, and financial institutions are subject to the regulations applicable to their relevant Financial Investment Businesses, irrespective of what type of financial institution it is. For example, under the FSCMA, derivative businesses conducted by securities companies and future companies are subject to the same regulations, at least in principle.

The banking business and the insurance business are not subject to the FSCMA and will continue to be regulated under separate laws; provided, however, that they are subject to the FSCMA if their activities involve any Financial Investment Businesses requiring a licence based on the FSCMA.

Banking Industry

The banking industry comprises commercial banks and specialised banks. Commercial banks serve the general public and corporate sectors. They include nationwide banks, regional banks and branches of

foreign banks. Regional banks provide services similar to nationwide banks, but operate in a geographically restricted region. Branches of foreign banks have operated in the Republic since 1967 but provide a relatively small proportion of the Republic's banking services. As of 31 December 2024, there were seven nationwide banks, five regional banks, three internet-only banks and 33 foreign banks with branches operating in the Republic.

Specialised banks meet the needs of specific sectors of the economy in accordance with Government policy; they are organised under, or chartered by, special laws. Specialised banks include (i) The Korea Development Bank, (ii) The Export-Import Bank of Korea, (iii) Industrial Bank of Korea, (iv) SuHyup Bank and (v) NongHyup Bank. The Government has made capital contributions to three of these specialised banks as follows:

- **The Korea Development Bank**: the Government owns directly all of its paid-in capital and has made capital contributions since its establishment in 1954. Recent examples include the Government's contributions to its capital of ₩2,103 billion in 2020, ₩1,121 billion in 2021, ₩1,265 billion in 2022, ₩775 billion in 2023 and ₩2,185 billion in 2024. Taking into account these capital contributions, its total paid-in capital was ₩26,317 billion as of 31 December 2024.

- **The Export-Import Bank of Korea**: the Government owns, directly and indirectly, all of its paid-in capital and has made capital contributions since its establishment in 1976. Recent examples include the Government's contributions to its capital of ₩578 billion in 2020, ₩299 billion in 2021, ₩25 billion in 2022, ₩2,000 billion in 2023 and ₩2,100 billion in 2024. Taking into account these capital contributions, its total paid-in capital was ₩16,873 billion as of 31 December 2024.

- **Industrial Bank of Korea**: the Government directly owned 59.5% of its total shares (including common and preferred shares) as of 31 December 2024. The Government had owned all of the issued share capital of Industrial Bank of Korea until 1994, but the Government's minimum share ownership requirement was repealed in 1997, and the Government has since periodically adjusted its ownership percentage in Industrial Bank of Korea through transactions involving the purchase and sale of its common shares. In 2020, Industrial Bank of Korea issued an aggregate of 161,507,381 new common shares to the Government for a total of ₩1,266 billion in cash. In November 2020, Industrial Bank of Korea acquired from the Government and cancelled an aggregate of 44,847,038 perpetual preferred shares that it had previously issued to the Government. In May 2021, Industrial Bank of Korea issued and sold 5,636,227 new ordinary shares to the Government for an aggregate consideration of ₩49 billion in cash. Taking into account such transactions, its total paid-in capital was ₩4,211 billion as of 31 December 2024.

The economic difficulties in 1997 and 1998 caused an increase in Korean banks' non-performing assets and a decline in capital adequacy ratios of Korean banks. From 1998 through 2002, the Financial Services Commission amended banking regulations several times to adopt more stringent criteria for non-performing assets that more closely followed international standards.

The following table sets out the total loans (including loans in Won and loans in foreign currencies) and non-performing assets of Korean banks as of the dates indicated.

	Total Loans	Non-Performing Assets[1]	Percentage of Total
	(trillions of Won)		(percentage)
31 December 2020	2,171.7	13.9	0.6
31 December 2021	2,371.9	11.8	0.5
31 December 2022	2,532.4	10.1	0.4
31 December 2023	2,629.0	12.5	0.5
31 December 2024[2]	2,799.1	14.8	0.5

(1) Assets classified as substandard or below.

(2) Preliminary.

Source: Financial Supervisory Service

In 2020, these banks posted an aggregate net profit of ₩12.1 trillion, compared to an aggregate net profit of ₩13.9 trillion in 2019, primarily due to increased loan loss provisions. In 2021, these banks posted an aggregate net profit of ₩16.9 trillion, compared to an aggregate net profit of ₩12.1 trillion in 2020, primarily due to the significant amount of gains recognised by The Korea Development Bank in connection with the exercise of its right to convert its convertible bonds issued by HMM Company Limited into common shares, which took place in June 2021, and to a lesser extent, increased net interest income and decreased loan loss provisions. In 2022, these banks posted an aggregate net profit of ₩18.5 trillion, compared to an aggregate net profit of ₩16.9 trillion in 2021, primarily due to increased net interest income reflecting the rise in interest rates during 2022. In 2023, these banks posted an aggregate net profit of ₩21.2 trillion, compared to an aggregate net profit of ₩18.5 trillion in 2022, primarily due to an increase in net interest income, which was offset in part by an increase in loan loss provisions. Based on preliminary data, in 2024, these banks posted an aggregate net profit of ₩22.4 trillion, compared to an aggregate net profit of ₩21.2 trillion in 2023, primarily due to a decrease in loan loss provisions, which was offset in part by an increase in non-operating expenses.

Non-Bank Financial Institutions

Non-bank financial institutions include:

- savings institutions, including trust accounts of banks, mutual savings banks, credit unions, mutual credit facilities, community credit cooperatives and postal savings;
- insurance institutions; and
- credit card companies.

As of 31 December 2024, 79 mutual savings banks, 22 life insurance institutions, which include joint venture life insurance institutions and wholly-owned subsidiaries of foreign life insurance companies, and eight credit card companies operated in the Republic.

Money Markets

In the Republic, the money markets consist of the call market and markets for a wide range of other short-term financial instruments, including treasury bills, monetary stabilisation bonds, negotiable certificates of deposits, repurchase agreements and commercial paper.

Securities Markets

On 27 January 2005, the Korea Exchange was established pursuant to the now repealed Korea Securities and Futures Trading Act by consolidating the Korea Stock Exchange, the Korea Futures Exchange, the KOSDAQ Stock Market, Inc., or the KOSDAQ, and the KOSDAQ Committee of the Korea Securities Dealers Association, which had formerly managed the KOSDAQ. There are three major markets operated by the Korea Exchange: the KRX KOSPI Market, the KRX KOSDAQ Market, and the KRX Derivatives Market. The Korea Exchange has two trading floors located in Seoul, one for the KRX KOSPI Market and one for the KRX KOSDAQ Market, and one trading floor in Busan for the KRX Derivatives Market. The Korea Exchange is a joint stock company with limited liability, the shares of which are held by (i) financial investment companies that were formerly members of the Korea Futures Exchange or the Korea Stock Exchange and (ii) the stockholders of the KOSDAQ. Currently, the Korea Exchange is the only stock exchange in Korea and is operated by membership, having as its members Korean financial investment companies and some Korean branches of foreign financial investment companies.

The Korea Exchange publishes the Korea Composite Stock Price Index every ten seconds, which is an index of all equity securities listed on the Korea Exchange. The Korea Composite Stock Price Index is computed using the aggregate value method, whereby the market capitalisations of all listed companies are aggregated, subject to certain adjustments, and this aggregate is expressed as a percentage of the aggregate market capitalisation of all listed companies as of the base date, 4 January 1980.

The following table shows the value of the Korea Composite Stock Price Index as of the dates indicated:

30 December 2020	2,873.5
29 January 2021	2,976.2
26 February 2021	3,013.0
31 March 2021	3,061.4
30 April 2021	3,147.9
31 May 2021	3,203.9
30 June 2021	3,296.7
30 July 2021	3,202.3
31 August 2021	3,199.3
30 September 2021	3,068.8
29 October 2021	2,970.7
30 November 2021	2,839.0
30 December 2021	2,977.7
28 January 2022	2,663.3
28 February 2022	2,699.2
31 March 2022	2,757.7
29 April 2022	2,695.1

31 May 2022	2,685.9
30 June 2022	2,332.6
29 July 2022	2,451.5
31 August 2022	2,472.1
30 September 2022	2,155.5
31 October 2022	2,293.6
30 November 2022	2,472.5
29 December 2022	2,236.4
31 January 2023	2,425.1
28 February 2023	2,412.9
31 March 2023	2,476.9
28 April 2023	2,501.5
31 May 2023	2,577.1
30 June 2023	2,564.3
31 July 2023	2,632.6
31 August 2023	2,556.3
27 September 2023	2,465.1
31 October 2023	2,278.0
30 November 2023	2,535.3
28 December 2023	2,655.3
31 January 2024	2,497.1
29 February 2024	2,642.4
29 March 2024	2,746.6
30 April 2024	2,692.1
31 May 2024	2,636.5
28 June 2024	2,797.8
31 July 2024	2,770.7
30 August 2024	2,674.3
30 September 2024	2,593.3
31 October 2024	2,556.2
29 November 2024	2,455.9
30 December 2024	2,399.5
31 January 2025	2,517.4
28 February 2025	2,532.8
31 March 2025	2,481.1
30 April 2025	2,556.6
30 May 2025	2,697.7
30 June 2025	3,071.7

Over the years, liquidity and credit concerns and volatility in the global financial markets have led to fluctuations in the stock prices of Korean companies. In recent years, there was significant volatility in the stock prices of Korean companies due to deteriorating market conditions domestically and abroad. The Korea Composite Stock Price Index was 3,202.0 on 14 July 2025.

Supervision System

The Office of Bank Supervision, the Securities Supervisory Board, the Insurance Supervisory Board and all other financial sector regulatory bodies merged in January 1999 to form the Financial Supervisory Service. The Financial Supervisory Service acts as the executive body of the Financial Services Commission. The Financial Services Commission reports to, but operates independently of, the Prime Minister's office.

The Ministry of Economy and Finance focuses on financial policy and foreign currency regulations. The Bank of Korea manages monetary policy focusing on price stabilisation.

Deposit Insurance System

The Republic's deposit insurance system insures amounts on deposit with banks, non-bank financial institutions, securities companies and life insurance companies.

Since January 2001, deposits at any single financial institution are insured only up to ₩50 million per person regardless of the amount deposited, although such limit is expected to be increased to ₩100 million per person through an amendment to the Depositor Protection Act of Korea and the Presidential Decree thereof, which is expected to become effective by September 2025.

The Government excluded certain deposits, such as repurchase agreements, from the insurance scheme, expanded the definition of insured financial institutions to which the insurance scheme would apply and gradually increased the insurance premium rates applicable to insured financial institutions.

Monetary Policy

The Bank of Korea

The Bank of Korea was established in 1950 as Korea's central bank and the Republic's sole currency issuing bank. A seven-member Monetary Policy Committee, chaired by the Governor of The Bank of Korea, formulates and controls monetary and credit policies.

Inflation targeting is the basic system of operation for Korean monetary policy. The consumer price index is used as The Bank of Korea's target indicator. To achieve its established inflation target, the Monetary Policy Committee of The Bank of Korea determines and announces the "Bank of Korea Base Rate", the reference rate applied in transactions such as repurchase agreements between The Bank of Korea and its financial institution counterparts. The Bank of Korea uses open market operations as its primary instrument to keep the call rate in line with the Monetary Policy Committee's target rate. In addition, The Bank of Korea is able to establish policies regarding its lending to banks in Korea and their reserve requirements.

Interest Rates

The Bank of Korea lowered its policy rate to 1.5% from 1.75% on 18 July 2019 and to 1.25% from 1.5% on 16 October 2019 to address the sluggishness of the global and domestic economy. On

16 March 2020, The Bank of Korea further lowered its policy rate to 0.75% from 1.25%, which was further lowered to 0.5% on 28 May 2020, in response to deteriorating economic conditions resulting from the COVID-19 pandemic. However, as the economy began to show signs of recovery from the COVID-19 pandemic starting from the second half of 2021, The Bank of Korea raised its policy rate from 0.50% to 0.75% on 26 August 2021, 1.00% on 25 November 2021 and 1.25% on 14 January 2022. Subsequently, in response to rising levels of household debt and inflationary pressures, The Bank of Korea continued to raise its policy rate, to 1.50% on 14 April 2022, 1.75% on 26 May 2022, 2.25% on 13 July 2022, 2.50% on 25 August 2022, 3.00% on 12 October 2022, 3.25% on 24 November 2022 and 3.50% on 13 January 2023. More recently, however, The Bank of Korea began to lower its policy rate, to 3.25% on 11 October 2024, 3.00% on 28 November 2024, 2.75% on 25 February 2025 and 2.50% on 29 May 2025 in response to weak economic conditions in the Republic.

With the deregulation of interest rates on banks' demand deposits on 2 February 2004, The Bank of Korea completed the interest rate deregulation based upon the "Four-Stage Interest Rate Liberalisation Plan" announced in 1991. The prohibition on the payment of interest on ordinary checking accounts was, however, maintained.

Money Supply

The following table shows the volume of the Republic's money supply:

	31 December				
	2020	**2021**	**2022**	**2023**	**2024**
	(billions of Won)				
Money Supply (M1)[(1)]	1,197,828.9	1,372,336.6	1,236,983.3	1,246,196.4	1,297,881.8
Quasi-money[(2)]	2,002,006.8	2,241,351.0	2,521,252.2	2,658,356.2	2,862,473.9
Money Supply (M2)[(3)]	3,199,835.7	3,613,687.6	3,758,235.5	3,904,552.6	4,160,355.7
Percentage Increase Over Previous Year	9.8%	12.9%	4.0%	3.9%	6.6%

(1) Consists of currency in circulation and demand and instant access savings deposits at financial institutions.

(2) Includes time and instalment savings deposits, marketable instruments, yield-based dividend instruments and financial debentures, excluding financial instruments with a maturity of more than two years.

(3) Money Supply (M2) is the sum of Money Supply (M1) and quasi-money.

Source: The Bank of Korea

Exchange Controls

Authorised foreign exchange banks, as registered with the Ministry of Economy and Finance, handle foreign exchange transactions. The ministry has designated other types of financial institutions to handle foreign exchange transactions on a limited basis.

Korean laws and regulations generally require a report to either the Ministry of Economy and Finance, The Bank of Korea or authorised foreign exchange banks, as applicable, for issuances of international bonds and other instruments, overseas investments and certain other transactions involving foreign exchange payments.

In 1993, 1994 and 1995, the Government relaxed regulations of foreign exchange position ceilings and foreign exchange transaction documentation and created free Won accounts which may be opened by

non-residents at Korean foreign exchange banks. The Won funds deposited into the free Won accounts may be converted into foreign currencies and remitted outside Korea without any governmental approval. In December 1996, after joining the OECD, the Republic freed the repatriation of investment funds, dividends and profits, as well as loan repayments and interest payments. The Government continues to reduce exchange controls in response to changes in the world economy, including the new trade regime under the WTO, anticipating that such foreign exchange reform will improve the Republic's competitiveness and encourage strategic alliances between domestic and foreign entities.

In September 1998, the National Assembly passed the Foreign Exchange Transactions Act, which became effective in April 1999 and has subsequently been amended numerous times. In principle, most currency and capital transactions, including, among others, the following transactions, have been liberalised:

- the investment in real property located overseas by Korean companies and financial institutions;

- the establishment of overseas branches and subsidiaries by Korean companies and financial institutions;

- the investment by non-residents in deposits and trust products having more than one year maturities; and

- the issuance of debentures by non-residents in the Korean market.

To minimise the adverse effects from further opening of the Korean capital markets, the Ministry of Economy and Finance is authorised to introduce a variable deposit requirement system to restrict the influx of short-term speculative funds.

The Government has also embarked on a second set of liberalisation initiatives starting in January 2001, under which ceilings on international payments for Korean residents have been eliminated, including overseas travel expenses, overseas inheritance remittances and emigration expenses. Overseas deposits, trusts, acquisitions of foreign securities and other foreign capital transactions made by residents and the making of deposits in Korean currency by non-residents have also been liberalised. In line with the foregoing liberalisation, measures will also be adopted to curb illegal foreign exchange transactions and to stabilise the foreign exchange market.

Effective as of 1 January 2006, the Government liberalised the regulations governing "capital transactions." The regulations provide that no regulatory approvals are required for any capital transactions. The capital transactions previously subject to approval requirements are now subject only to reporting requirements.

In January 2010, the Financial Supervisory Service introduced the Standards for Risk Management of Foreign Exchange Derivatives Transactions to the Enforcement Rules for Supervision of Banking Business to prevent over-hedging of foreign exchange risk by corporate investors. According to the standards as amended in October 2023, if a corporate investor, other than a financial institution or a public enterprise, wishes to enter into a currency forward, currency option, foreign exchange swap or currency swap agreement with a bank, the bank is required to verify whether the corporate investor's

assets, liabilities or contracts face foreign exchange risks that could be mitigated by a currency forward, currency option, foreign exchange swap or currency swap agreement. In addition, the bank is required to ensure that the corporate investor's risk hedge ratio, which is the ratio of the aggregate notional amount to the aggregate amount of risk, does not exceed 125%.

Foreign Exchange

The following table shows the exchange rate between the Won and the U.S. dollar (in Won per U.S. dollar) as announced by the Seoul Money Brokerage Services, Ltd. as of the dates indicated:

	Won/U.S. Dollar Exchange Rate
31 December 2020	1,088.0
29 January 2021	1,114.6
26 February 2021	1,108.4
31 March 2021	1,133.5
30 April 2021	1,119.4
31 May 2021	1,116.0
30 June 2021	1,130.0
30 July 2021	1,147.4
31 August 2021	1,164.4
30 September 2021	1,184.9
29 October 2021	1,171.7
30 November 2021	1,193.4
31 December 2021	1,185.5
28 January 2022	1,202.4
28 February 2022	1,202.7
31 March 2022	1,210.8
29 April 2022	1,269.4
31 May 2022	1,245.8
30 June 2022	1,299.4
29 July 2022	1,304.0
31 August 2022	1,347.5
30 September 2022	1,434.8
31 October 2022	1,419.3
30 November 2022	1,331.5
30 December 2022	1,267.3
31 January 2023	1,228.7
28 February 2023	1,317.4
31 March 2023	1,303.8
28 April 2023	1,339.9
31 May 2023	1,322.2
30 June 2023	1,312.8
31 July 2023	1,280.0
31 August 2023	1,321.4
27 September 2023	1,344.8
31 October 2023	1,352.8
30 November 2023	1,289.0

	Won/U.S. Dollar Exchange Rate
29 December 2023	1,289.4
31 January 2024	1,330.6
29 February 2024	1,334.0
29 March 2024	1,346.8
30 April 2024	1,378.7
31 May 2024	1,376.5
28 June 2024	1,389.2
31 July 2024	1,384.6
30 August 2024	1,335.3
30 September 2024	1,319.6
31 October 2024	1,383.3
29 November 2024	1,394.7
31 December 2024	1,470.0
31 January 2025	1,433.3
28 February 2025	1,439.6
31 March 2025	1,466.5
30 April 2025	1,438.5
30 May 2025	1,381.4
30 June 2025	1,356.4

During the period from 2 January 2008 through 16 April 2009, the value of the Won relative to the U.S. dollar declined by approximately 29.9%, due primarily to adverse economic conditions resulting from liquidity and credit concerns and volatility in the global credit and financial markets and repatriations by foreign investors of their investments in the Korean stock market. The exchange rate between the Won and the U.S. dollar has fluctuated since then. In recent years, the value of the Won relative to the U.S. dollar depreciated significantly, due primarily to the COVID-19 pandemic, the Russia-Ukraine war and ensuing sanctions against Russia, the escalating hostilities in the Middle East following the Israel-Hamas war as well as in light of the ongoing Iran-Israel conflict and, more recently, the political situation in Korea following the declaration of martial law by former President Yoon in December 2024 that led to his impeachment and subsequent removal in April 2025 and the election of Mr. Lee Jae-myung as President in June 2025, among others. The Market Average Exchange Rate was Won 1,374.7 to US$1.00 on 14 July 2025.

Balance of Payments and Foreign Trade

Balance of Payments

Balance of payments figures measure the relative flow of goods, services and capital into and out of the country as represented in the current balance and the capital balance. The current balance tracks a country's trade in goods and services and transfer payments and measures whether a country is living within its income from trading and investments. The capital balance covers all transactions involving the transfer of capital into and out of the country, including loans and investments. The overall balance represents the sum of the current and capital balances. An overall balance surplus indicates a net inflow of foreign currencies, thereby increasing demand for and strengthening the local currency. An overall balance deficit indicates a net outflow of foreign currencies, thereby decreasing demand for and weakening the local currency. The financial account mirrors the overall balance. If the overall balance

is positive, the surplus, which represents the nation's savings, finances the overall deficit of the country's trading partners. Accordingly, the financial account will indicate cash outflows equal to the overall surplus. If, however, the overall balance is negative, the nation has an international deficit which must be financed. Accordingly, the financial account will indicate cash inflows equal to the overall deficit.

The following table sets out certain information with respect to the Republic's balance of payments:

	Balance of Payments[1]				
Classification	**2020**	**2021**	**2022**	**2023**	**2024[4]**
	(millions of U.S. dollars)				
Current Account	75,902.2	85,228.2	25,828.6	32,821.7	99,042.9
Goods	80,604.8	75,730.9	15,620.0	37,657.7	100,126.9
Exports[2]	517,909.3	649,475.2	694,324.1	643,577.2	696,196.1
Imports[2]	437,304.5	573,744.3	678,704.1	605,919.5	596,069.2
Services	(14,670.1)	(5,286.7)	(7,253.1)	(26,824.1)	(23,701.6)
Income	13,486.9	19,444.9	20,347.1	26,249.3	26,619.3
Current Transfers	(3,519.4)	(4,660.9)	(2,885.4)	(4,261.2)	(4,001.7)
Capital and Financial Account	80,996.4	78,335.3	27,063.2	32,129.1	95,512.1
Capital Account	(386.3)	(155.3)	0.7	47.1	303.3
Financial Account[3]	81,382.7	78,490.6	27,062.5	32,082.0	95,208.8
Net Errors and Omissions	5,866.8	(6,582.3)	1,233.2	(786.8)	(4,137.4)

(1) Figures are prepared based on the sixth edition of the Balance of Payment Manual published by International Monetary Fund in December 2010 and implemented by the Government in December 2013. In December 2018, The Bank of Korea revised the Republic's balance of payments information to capture new economic activities and reflect the changes in raw data.

(2) These entries are derived from trade statistics and are valued on a free on board basis, meaning that the insurance and freight costs are not included.

(3) Includes borrowings from the IMF, syndicated bank loans and short-term borrowings.

(4) Preliminary.

Source: The Bank of Korea

The current account surplus in 2023 increased to US$32.8 billion in 2023 from the current account surplus of US$25.8 billion in 2022, primarily due to an increase in surplus from the goods account, as well as an increase in surplus from the income account, the effects of which were offset in part by an increase in deficit from the services account. Based on preliminary data, the current account surplus in 2024 increased to US$99.0 billion in 2024 from the current account surplus of US$32.8 billion in 2023, primarily due to an increase in surplus from the goods account and a decrease in deficit from the services account. Based on preliminary data, the Republic's current account surplus in the first quarter of 2025 increased to US$19.3 billion from the current account surplus of US$16.5 billion in the corresponding period of 2024, primarily due to an increase in surplus from the income account, which was offset in small part by a decrease in surplus from the goods account.

Foreign Direct Investment

Since 1960, the Government has adopted a broad range of related laws, administrative rules and regulations that provide a framework for the conduct and regulation of foreign investment activities. In September 1998, the Government promulgated the Foreign Investment Promotion Act, or the FIPA, which replaced previous foreign direct investment related laws, rules and regulations, to promote

inbound foreign investments by providing incentives to, and facilitating investment activities in the Republic by, foreign nationals. The FIPA prescribes, among others, procedural requirements for inbound foreign investments, incentives for foreign investments such as tax reductions, and requirements relating to designation and development of foreign investment target regions. The Government believes that providing a stable and receptive environment for foreign direct investment will accelerate the inflow of foreign capital, technology and management techniques.

The following table sets forth information regarding annual foreign direct investment in the Republic for the periods indicated.

	Foreign Direct Investment				
	2020	2021	2022	2023	2024[2]
	(billions of U.S. dollars)				
Contracted and Reported Investment					
Greenfield Investment[1]	14.5	18.1	22.3	23.5	26.7
Merger & Acquisition	6.2	11.4	8.1	9.2	7.9
Total	20.7	29.5	30.4	32.7	34.6
Actual Investment	11.5	17.9	18.2	19.5	14.8

(1) Includes building new factories and operational facilities.

(2) Preliminary.

Source: Ministry of Trade, Industry and Energy

In 2023, the contracted and reported amount of foreign direct investment in the Republic increased to US$32.7 billion from US$30.4 billion in 2022, primarily due to an increase in foreign investment in the services sector to US$17.8 billion in 2023 from US$16.6 billion in 2022.

Based on preliminary data, in 2024, the contracted and reported amount of foreign direct investment in the Republic increased to US$34.6 billion from US$32.7 billion in 2023, primarily due to an increase in foreign investment in the manufacturing sector to US$14.5 billion in 2024 from US$11.9 billion in 2023.

The following table sets forth information regarding the source of foreign direct investment by region and country for the periods indicated:

	Foreign Direct Investment by Region and Country				
	2020	2021	2022	2023	2024
	(billions of U.S. dollars)				
North America					
U.S.A.	5.3	5.3	8.7	6.1	5.2
Others	3.5	1.6	5.8	6.5	5.5
	8.8	6.9	14.5	12.6	10.7
Asia					
Japan	0.8	1.2	1.5	1.3	6.1
Hong Kong	1.1	0.6	0.4	1.2	1.0
Singapore	2.3	4.2	3.2	2.7	2.4
China	2.0	1.9	1.5	1.6	5.8
Others	0.4	1.2	0.5	1.8	1.0
	6.6	9.1	7.1	8.6	16.3

	Foreign Direct Investment by Region and Country				
	2020	2021	2022	2023	2024
	(billions of U.S. dollars)				
European Union					
Ireland	0.0	1.8	0.1	0.0	0.0
Netherlands	0.6	1.0	4.9	1.1	0.9
Germany	0.5	2.8	0.5	0.2	0.3
France	0.2	0.2	0.2	1.2	0.9
Others	2.7	6.2	1.8	3.7	3.0
	4.0	12.0	7.5	6.2	5.1
Other regions and countries	1.3	1.5	1.3	5.3	2.5
Total	20.7	29.5	30.4	32.7	34.6

Source: Ministry of Trade, Industry and Energy

Trade Balance

Trade balance figures measure the difference between a country's exports and imports. If exports exceed imports the country has a trade balance surplus while if imports exceed exports the country has a deficit. A deficit, indicating that a country's receipts from abroad fall short of its payments to foreigners, must be financed, rendering the country a debtor nation. A surplus, indicating that a country's receipts exceed its payments to foreigners, allows the country to finance its trading partners' net deficit to the extent of the surplus, rendering the country a creditor nation.

The following table summarises the Republic's trade balance for the periods indicated:

	Trade Balance					
	Exports[1]	As % of GDP[2]	Imports[1]	As % of GDP[2]	Balance of Trade	Exports as % of Imports
	(billions of U.S. dollars, except percentages)					
2020	512.5	29.4%	467.6	26.8%	44.9	109.6%
2021	644.4	33.2%	615.1	31.7%	29.3	104.8%
2022	683.6	38.0%	731.4	40.7%	(47.8)	93.5%
2023	632.2	34.3%	642.6	34.8%	(10.4)	98.4%
2024[3]	683.7	36.5%	632.1	33.7%	51.6	108.2%

(1) These entries are derived from customs clearance statistics on a C.I.F. basis, meaning that the price of goods includes insurance and freight cost.

(2) At current market prices.

(3) Preliminary.

Source: The Bank of Korea; Korea Customs Service

The Republic, due to its lack of natural resources, relies on extensive trading activity for growth. The Republic meets virtually all domestic requirements for petroleum, wood and rubber with imports, as well as much of its coal and iron needs. Exports consistently represent a high percentage of GDP and, accordingly, the international economic environment is of crucial importance to the Republic's economy. See "*—The Economy—Worldwide Economic and Financial Difficulties*".

The following tables give information regarding the Republic's exports and imports by major commodity groups:

	Exports by Major Commodity Groups (C.I.F.)[1]									
	2020	As % of 2020 Total	2021	As % of 2021 Total	2022	As % of 2022 Total	2023	As % of 2023 Total	2024[2]	As % of 2024 Total[2]
	(billions of U.S. dollars, except percentages)									
Foods & Consumer Goods	8.6	1.7	9.8	1.5	10.4	1.5	10.7	1.7	11.6	1.7
Raw Materials and Fuels	32.1	6.3	51.4	8.0	75.1	11.0	62.6	9.9	60.9	8.9
Petroleum & Derivatives	24.7	4.8	38.8	6.0	63.3	9.3	52.4	8.3	50.7	7.4
Others	7.4	1.4	12.6	2.0	11.8	1.7	10.2	1.6	10.2	1.5
Light Industrial Products	32.4	6.3	35.3	5.5	35.2	5.1	33.4	5.3	34.2	5.0
Heavy & Chemical Industrial Products	439.3	85.7	547.9	85.0	563.0	82.4	525.5	83.1	577.0	84.4
Electronic & Electronic Products	178.5	34.8	221.8	34.4	224.2	32.8	181.1	28.6	231.0	33.8
Chemicals & Chemical Products	66.6	13.0	91.9	14.3	98.0	14.3	86.6	13.7	83.6	12.2
Metal Goods	39.6	7.7	52.6	8.2	55.3	8.1	49.8	7.9	48.2	7.0
Machinery & Precision Equipment	63.4	12.4	70.9	11.0	70.9	10.4	72.6	11.5	72.5	10.6
Transport Equipment	77.6	15.1	94.2	14.6	98.4	14.4	118.2	18.7	120.6	17.6
Passenger Cars	35.6	6.9	44.3	6.9	51.7	7.6	68.3	10.8	68.3	10.0
Ships & Boats	19.2	3.7	22.4	3.5	17.6	2.6	20.8	3.3	24.5	3.6
Others	22.8	4.4	27.5	4.3	29.2	4.3	29.1	4.6	27.8	4.1
Others	13.6	2.7	16.6	2.6	16.1	2.4	17.2	2.7	21.2	3.1
Total	512.5	100.0	644.4	100.0	683.6	100.0	632.2	100.0	683.7	100.0

(1) These entries are derived from customs clearance statistics. C.I.F. means that the price of goods includes insurance and freight costs.

(2) *Preliminary.*

Source: The Bank of Korea; Korea Customs Service

	Imports by Major Commodity Groups (C.I.F.)[1]									
	2020	As % of 2020 Total	2021	As % of 2021 Total	2022	As % of 2022 Total	2023	As % of 2023 Total	2024[2]	As % of 2024 Total[2]
	(billions of U.S. dollars, except percentages)									
Industrial Materials and Fuels	206.3	44.1	302.6	49.2	393.8	53.8	328.4	51.1	308.3	48.8
Crude Petroleum	44.5	9.5	67.0	10.9	106.0	14.5	86.2	13.4	85.4	13.5
Mineral	21.4	4.6	33.3	5.4	31.3	4.3	27.1	4.2	25.9	4.1
Chemicals	46.4	9.9	60.4	9.8	70.2	9.6	64.8	10.1	55.5	8.8
Iron & Steel Products	15.2	3.3	22.2	3.6	22.7	3.1	21.3	3.3	20.5	3.2
Non-ferrous Metal	11.7	2.5	18.4	3.0	19.5	2.7	15.9	2.5	15.9	2.5
Others	67.1	14.3	101.3	16.5	144.1	19.7	113.1	17.6	105.1	16.6
Capital Goods	177.1	37.9	212.8	34.6	228.9	31.3	211.5	32.9	222.3	35.2
Machinery & Precision Equipment	57.9	12.4	70.0	11.4	68.6	9.4	66.1	10.3	67.8	10.7
Electric & Electronic Machines	105.1	22.5	127.6	20.7	144.8	19.8	129.3	20.1	135.7	21.5
Transport Equipment	11.9	2.5	13.0	2.1	13.2	1.8	13.7	2.1	16.3	2.6
Others	2.3	0.5	2.2	0.4	2.3	0.3	2.4	0.4	2.5	0.4
Consumer Goods	84.2	18.0	99.6	16.2	108.7	14.9	102.7	16.0	101.4	16.0
Cereals	7.1	1.5	8.9	1.4	11.3	1.5	9.8	1.5	8.7	1.4
Goods for Direct Consumption	22.3	4.8	25.7	4.2	29.0	4.0	27.5	4.3	27.7	4.4
Durable Consumer Goods	34.9	7.5	42.2	6.9	42.8	5.9	40.7	6.3	40.4	6.4
Nondurable Consumer Goods	20.0	4.3	22.8	3.7	25.6	3.5	24.7	3.8	24.6	3.9
Total	467.6	100.0	615.1	100.0	731.4	100.0	642.6	100.0	632.1	100.0

(1) These entries are derived from customs clearance statistics. C.I.F. means that the price of goods includes insurance and freight costs.

(2) Preliminary.

Source: The Bank of Korea; Korea Customs Service

In 2020, the Republic recorded a trade surplus of US$44.9 billion. Exports decreased by 5.5% to US$512.5 billion in 2020 from US$542.2 billion in 2019, primarily due to a slowdown of the global economy resulting from the COVID-19 pandemic. Imports decreased by 7.1% to US$467.6 billion in 2020 from US$503.3 billion in 2019, primarily due to a decrease in oil prices, which also led to decreased unit prices of other major raw materials, as well as decreased domestic consumption, which were mainly attributed to the COVID-19 pandemic.

In 2021, the Republic recorded a trade surplus of US$29.3 billion. Exports increased by 25.7% to US$644.4 billion in 2021 from US$512.5 billion in 2020, primarily due to a recovery of the global economy from the COVID-19 pandemic. Imports increased by 31.5% to US$615.1 billion in 2021 from US$467.6 billion in 2020, primarily due to an increase in domestic consumption as well as an increase in oil prices, which also led to increased unit prices of other major raw materials.

In 2022, the Republic recorded a trade deficit of US$47.8 billion. Exports increased by 6.1% to US$683.6 billion in 2022 from US$644.4 billion in 2021, primarily due to an improvement in the

domestic economic conditions of the Republic's major trading partners. Imports increased by 18.9% to US$731.4 billion in 2022 from US$615.1 billion in 2021, primarily due to an increase in energy and commodity prices, which also led to increased unit prices of other major raw materials.

In 2023, the Republic recorded a trade deficit of US$10.4 billion. Exports decreased by 7.5% to US$632.2 billion in 2023 from US$683.6 billion in 2022, primarily due to a deterioration in the domestic economic conditions of the Republic's major trading partners and a downturn in the semiconductor industry. Imports decreased by 12.1% to US$642.6 billion in 2023 from US$731.4 billion in 2022, primarily due to a decrease in energy and commodity prices, which also led to decreased unit prices of other major raw materials.

Based on preliminary data, in 2024, the Republic recorded a trade surplus of US$51.6 billion. Exports increased by 8.1% to US$683.7 billion in 2024 from US$632.2 billion in 2023, primarily due to a substantial growth in demand for semiconductor products globally and a general improvement in the domestic economic conditions of the Republic's major trading partners. Imports decreased by 1.6% to US$632.1 billion in 2024 from US$642.6 billion in 2023, primarily due to a decrease in oil prices, which also led to decreased unit prices of other major raw materials.

Based on preliminary data, the Republic recorded a trade surplus of US$7.3 billion in the first quarter of 2025. Exports decreased by 2.1% to US$159.8 billion in the first quarter of 2025 from US$163.3 billion in the corresponding period of 2024, primarily due to a deterioration in the domestic economic conditions of the Republic's major trading partners. Imports decreased by 1.4% to US$152.6 billion in the first quarter of 2025 from US$154.8 billion in the corresponding period of 2024, primarily due to a decrease in energy and commodity prices, which also led to decreased unit prices of other major raw materials.

The following table sets forth the Republic's exports trading partners:

	Exports									
	2020	As % of 2020 Total	2021	As % of 2021 Total	2022	As % of 2022 Total	2023	As % of 2023 Total	2024[1]	As % of 2024 Total[1]
	(millions of U.S. dollars, except percentages)									
China	132,565.4	25.9	162,913.0	25.3	155,789.4	22.8	124,817.7	19.7	133,036.3	19.5
United States	74,115.8	14.5	95,902.0	14.9	109,765.7	16.1	115,696.3	18.3	127,786.5	18.7
Japan	25,097.7	4.9	30,061.8	4.7	30,606.3	4.5	29,000.6	4.6	29,606.7	4.3
Hong Kong	30,653.8	6.0	37,467.1	5.8	27,651.2	4.0	25,193.6	4.0	35,022.8	5.1
Singapore	9,828.4	1.9	14,148.5	2.2	20,205.4	3.0	18,752.0	3.0	18,216.1	2.7
Vietnam	48,510.6	9.5	56,728.5	8.8	60,963.7	8.9	53,479.5	8.5	58,321.3	8.5
Taiwan	16,465.4	3.2	24,285.3	3.8	26,198.2	3.8	20,178.8	3.2	33,960.9	5.0
India	11,937.3	2.3	15,603.3	2.4	18,870.1	2.8	17,949.6	2.8	18,695.7	2.7
Indonesia	6,312.9	1.2	8,550.3	1.3	10,215.9	1.5	9,140.2	1.4	7,944.0	1.2
Mexico	8,241.0	1.6	11,290.2	1.8	12,654.2	1.9	12,222.0	1.9	13,607.2	2.0
Australia	6,188.5	1.2	9,750.5	1.5	18,753.0	2.7	17,791.4	2.8	15,593.1	2.3
Germany	9,576.1	1.9	11,109.9	1.7	10,067.7	1.5	10,317.1	1.6	9,037.9	1.3
Others[2]	133,005.1	26.0	166,590.0	25.9	181,844.0	26.6	177,687.0	28.1	182,863.1	26.7
Total	512,498.0	100.0	644,400.4	100.0	683,584.8	100.0	632,225.8	100.0	683,691.6	100.0

(1) Preliminary.

(2) Includes more than 200 countries and regions.

Source: The Bank of Korea; Korea Customs Service

The following table sets forth the Republic's imports trading partners:

	Imports									
	2020	As % of 2020 Total	2021	As % of 2021 Total	2022	As % of 2022 Total	2023	As % of 2023 Total	2024[1]	As % of 2024 Total[1]
	(millions of U.S. dollars, except percentages)									
China	108,884.6	23.3	138,628.1	22.5	154,576.3	21.1	142,857.3	22.2	139,867.8	22.1
Japan	46,023.0	9.8	54,642.2	8.9	54,711.8	7.5	47,656.5	7.4	47,898.7	7.6
United States	57,492.2	12.3	73,213.4	11.9	81,784.7	11.2	71,272.0	11.1	72,121.4	11.4
Saudi Arabia	15,979.6	3.4	24,271.3	3.9	41,640.3	5.7	32,762.5	5.1	31,502.2	5.0
Qatar	7,562.1	1.6	11,611.1	1.9	16,567.2	2.3	14,998.9	2.3	14,211.0	2.2
Australia	18,707.1	4.0	32,918.0	5.4	44,929.4	6.1	32,823.0	5.1	29,956.3	4.7
Germany	20,680.9	4.4	21,996.3	3.6	23,614.9	3.2	23,611.2	3.7	22,301.0	3.5
Kuwait	5,827.9	1.2	8,253.9	1.3	12,401.9	1.7	9,659.0	1.5	8,786.8	1.4
Taiwan	17,837.0	3.8	23,485.8	3.8	28,274.6	3.9	24,370.6	3.8	30,222.5	4.8
United Arab Emirates	5,692.7	1.2	7,318.7	1.2	15,492.8	2.1	16,422.8	2.6	17,988.2	2.8
Indonesia	7,594.7	1.6	10,725.1	1.7	15,734.9	2.2	12,145.9	1.9	12,569.0	2.0
Malaysia	8,892.6	1.9	10,456.2	1.7	15,249.1	2.1	15,237.1	2.4	13,982.0	2.2
Others[2]	146,458.4	31.3	197,573.3	32.1	226,391.8	31.0	198,755.3	30.9	190,693.1	30.2
Total	467,632.8	100.0	615,093.4	100.0	731,369.7	100.0	642,572.1	100.0	632,100.0	100.0

(1) Preliminary.

(2) Includes more than 200 countries and regions.

Source: The Bank of Korea; Korea Customs Service

In recent years, the value of the Won relative to the U.S. dollar has depreciated significantly, in particular due to the impact of the COVID-19 pandemic, the Russia-Ukraine war and ensuing sanctions against Russia and the escalating hostilities in the Middle East following the Israel-Hamas war as well as in light of the ongoing Iran-Israel conflict and, more recently, the political situation in Korea following the declaration of martial law by former President Yoon in December 2024 that led to his impeachment and subsequent removal in April 2025 and the election of Mr. Lee Jae-myung as President in June 2025, among others. See "*—The Economy—Worldwide Economic and Financial Difficulties*". An appreciation of the Won against the U.S. dollar increases the Won value of the Republic's export sales and diminishes the price-competitiveness of export goods in foreign markets in U.S. dollar terms. However, it also decreases the cost of imported raw materials in Won terms and the cost in Won of servicing the Republic's U.S. dollar-denominated debt. In general, when the Won appreciates, export dependent sectors of the Korean economy, including automobiles, electronics and shipbuilding, suffer from the resulting pressure on the price-competitiveness of export goods, which may lead to reduced profit margins and loss in market share, more than offsetting a decrease in the cost of imported raw materials. If the export dependent sectors of the Korean economy suffer reduced profit margins or a net loss, it could result in a material adverse effect on the Korean economy.

Since the Government announced its plans to pursue free trade agreements, or FTAs, in 2003, the Republic has entered into FTAs with key trading partners. The Republic has had bilateral FTAs in effect with Chile since 2004, Singapore since 2006, India since 2010, Peru since 2011, the United States since 2012, Turkey since 2013, Australia since 2014, Canada, China, New Zealand and Vietnam since 2015, Colombia since July 2016, the United Kingdom since January 2021, Israel and Cambodia since December 2022, Indonesia since January 2023 and the Philippines since 2024. The Republic is currently in negotiations with a number of other key trading partners. In addition, the Republic has had regional FTAs in effect with the European Free Trade Association since 2006, the Association of Southeast Asian Nations since 2009, the European Union since 2011, with each of Panama, Costa Rica, Guatemala, Honduras, El Salvador and Nicaragua since 2021 and with the Regional Comprehensive Economic Partnership since 2022, and is currently negotiating additional regional FTAs. The Republic and Turkey have completed revisions to their bilateral FTA, which became effective in August 2018. The Republic and the United States have also completed revisions to their bilateral FTA, which became effective in January 2019.

Non-Commodities Trade Balance

The Republic had non-commodities trade deficits of US$4.7 billion in 2020, non-commodities trade surpluses of US$9.5 billion in 2021 and US$10.2 billion in 2022, and non-commodities trade deficits of US$4.8 billion in 2023. Based on preliminary data, the Republic had non-commodities trade deficits of US$1.1 billion in 2024.

Foreign Currency Reserves

The foreign currency reserves are external assets that are readily available to and controlled by monetary authorities for meeting balance of payments financing needs and for other related purposes. The following table shows the Republic's total official foreign currency reserves:

	Total Official Reserves				
	31 December				
	2020	2021	2022	2023	2024
	(millions of U.S. dollars)				
Gold	$ 4,794.8	$ 4,794.8	$ 4,794.8	$ 4,794.8	$ 4,794.8
Foreign Exchange(1)	430,117.2	438,319.2	399,043.1	395,643.3	391,889.9
Total Gold and Foreign Exchange	434,912.0	443,114.0	403,837.9	400,438.1	396,684.7
Reserve Position at IMF	4,815.3	4,634.9	4,489.5	4,627.8	4,204.9
Special Drawing Rights	3,370.8	15,369.5	14,836.3	15,082.1	14,714.1
Total Official Reserves	$443,098.1	$463,118.4	$423,163.7	$420,147.9	$415,603.8

(1) More than 95% of the Republic's foreign currency reserves are comprised of convertible foreign currencies.

Source: The Bank of Korea; International Monetary Fund

The Government's foreign currency reserves increased to US$262.2 billion as of 31 December 2007 from US$8.9 billion as of 31 December 1997, primarily due to continued balance of trade surpluses and capital inflows. In 2008, the Government's foreign currency reserves decreased, falling to

US$201.2 billion as of 31 December 2008, partially as a result of the Government's use of the foreign currency reserve to provide foreign currency liquidity to Korean financial institutions. The Government's foreign currency reserves increased to US$443.1 billion as of 31 December 2020 and US$463.1 billion as of 31 December 2021, primarily due to continued trade surpluses and capital inflows. The Government's foreign currency reserves decreased to US$423.2 billion as of 31 December 2022, US$420.1 billion as of 31 December 2023 and US$415.6 billion as of 31 December 2024, however, primarily in relation to the depreciation of the Won against the U.S. dollar. The amount of the Government's foreign currency reserve was US$404.6 billion as of 30 May 2025.

Government Finance

The Ministry of Economy and Finance prepares the Government budget and administers the Government's finances.

Under the National Finance Act, the Government's fiscal year commences on 1 January. The Government must submit the budget, which is drafted by the Minister of Economy and Finance and approved by the President of the Republic, to the National Assembly not later than 120 days prior to the start of the fiscal year and may submit supplementary budgets revising the original budget at any time during the fiscal year.

2023 budgeted revenues increased by 13.7% to ₩588.6 trillion from ₩517.7 trillion in 2022, led by an increase in budgeted tax revenues (including taxes on income, profits and capital gains). 2023 budgeted expenditures and net lending increased by 5.2% to ₩601.6 trillion from ₩571.8 trillion in 2022, led by increases in budgeted expenditures on revitalisation of the economy. The 2023 budget anticipated a ₩13.1 trillion budget deficit.

2024 budgeted revenues decreased by 2.6% to ₩573.3 trillion from ₩588.6 trillion in 2023, led by a decrease in budgeted tax revenues (including taxes on income, profits and capital gains). 2024 budgeted expenditures and net lending increased by 2.7% to ₩617.7 trillion from ₩601.6 trillion in 2023, led by increases in budgeted expenditures on revitalisation of the economy. The 2024 budget anticipated a ₩44.4 trillion budget deficit.

2025 budgeted revenues increased by 6.3% to ₩609.4 trillion from ₩573.3 trillion in 2024, led by increases in budgeted tax revenues (including taxes on income, profits and capital gains). 2025 budgeted expenditures and net lending increased by 2.2% to ₩631.1 trillion from ₩617.7 trillion in 2024, led by increases in budgeted expenditures on revitalisation of the economy. The 2025 budget anticipated a ₩21.7 trillion budget deficit.

Beginning in March 2020, the National Assembly approved a series of supplementary budgets as part of the Government's efforts to mitigate adverse effects on the Korean economy resulting from the COVID-19 pandemic. See "*—The Economy—Worldwide Economic and Financial Difficulties*". These supplementary budgets, which amounted to ₩66.8 trillion in 2020, ₩49.8 trillion in 2021 and ₩78.9 trillion in 2022, were some of the largest of their kind drawn up in response to an outbreak of an infectious disease in Korea. The supplementary budgets were funded through the issuance of treasury bonds by the Government, The Bank of Korea's unappropriated surplus and other surplus funds available to the Government, among others.

Any significant increase in additional spending measures may lead to a budget deficit for 2025, which could result in a deterioration in the Government's fiscal position and an increase in borrowings.

The following table shows consolidated Government revenues and expenditures:

	Consolidated Central Government Revenues and Expenditures							
	Actual					Budget		
	2020	2021	2022	2023	2024[1]	2023	2024	2025[1]
	(billions of Won)							
Total Revenues	446,628	537,619	588,332	543,586	560,088	588,577	573,261	609,351
Current Revenues	443,694	534,999	585,325	539,887	556,112	584,672	569,507	601,063
Total Tax Revenues	360,129	422,182	479,384	432,989	429,335	486,573	459,643	478,925
Taxes on income, profits and capital gains	148,622	184,509	232,319	196,253	179,929	236,860	203,425	215,074
Social security contributions	74,583	78,104	83,444	88,918	92,802	86,116	92,329	96,496
Tax on property	22,735	31,392	27,696	25,311	24,243	27,815	24,149	22,473
Taxes on goods and services	91,047	99,840	105,828	97,008	105,610	107,760	110,503	115,619
Taxes on international trade and transaction	7,059	8,227	10,324	7,288	6,972	10,724	8,907	8,409
Other tax	16,084	20,110	19,773	18,211	19,778	17,299	20,330	20,855
Non-Tax Revenues	83,565	112,818	105,941	106,898	126,787	98,099	109,864	122,138
Operating surpluses of departmental enterprise sales and property income	33,571	56,664	47,459	42,537	56,969	36,492	41,432	51,959
Administration fees & charges and non-industrial sales	9,929	10,865	11,434	12,428	12,787	12,470	13,357	13,913
Fines and forfeits	23,583	26,993	28,276	29,752	32,997	27,816	30,829	31,107
Contributions to government employee pension fund	13,876	14,918	16,348	18,149	19,988	18,480	20,322	21,196
Current revenue of non-financial public enterprises	2,606	3,378	2,425	4,032	4,046	2,842	3,925	3,964
Capital Revenues	2,934	2,620	3,007	3,700	3,966	3,905	3,754	8,288
Total Expenditures and Net Lending	517,781	568,113	652,902	580,354	603,609	601,629	617,664	631,091
Total Expenditures	489,966	538,034	622,997	559,707	580,113	584,587	593,643	615,040
Current Expenditures	455,098	502,191	585,593	523,270	542,859	545,493	553,669	576,081
Expenditure on goods and service	79,460	88,144	89,759	90,389	93,217	94,966	98,053	97,971
Interest payment	14,452	15,431	18,481	22,362	26,310	21,726	24,968	27,530
Subsidies and other current transfers	357,295	395,826	473,661	405,733	417,643	424,353	425,078	445,013
Current expenditure of non-financial public enterprises	3,891	2,790	3,692	4,785	5,688	4,449	5,570	5,567
Capital Expenditures	34,868	35,842	37,404	36,437	37,254	39,094	39,974	38,959
Net Lending	27,815	30,079	29,905	20,647	23,496	17,042	24,021	16,051

(1) Preliminary.

Source: Ministry of Economy and Finance; The Bank of Korea; Korea National Statistical Office

The consolidated Government account consists of a General Account, Special Accounts (including a non-financial public enterprise special account) and Public Funds. The Government segregates the accounts of certain functions of the Government into Special Accounts and Public Funds for more effective administration and fiscal control. The Special Accounts and Public Funds relate to business type activities, such as economic development, road and railway construction and maintenance, monopolies, and communications developments and the administration of loans received from official international financial organisations and foreign governments.

Revenues derive mainly from national taxes and non-tax revenues. Taxes in Korea can be roughly classified into the following types:

- income tax and capital gains tax,
- property tax,
- value-added tax,
- customs duty tax, and
- other taxes.

Income tax and capital gains tax are imposed on income derived from labour, business operation and ownership of assets and profits derived from capital appreciation. Income tax and capital gains tax, depending on the type of taxpayer, can be further classified into corporate income tax and individual income tax. Property tax is imposed on exchange or ownership of property and includes inheritance tax and gift tax. Value-added tax is imposed on value added to goods and services. Customs duty tax is imposed on imported goods. Other taxes include tax on certain securities transactions and a stamp tax for certain documents.

Expenditures include general administration, national defence, community service, education, health, social security, certain annuities and pensions and local finance, which involves the transfer of tax revenues to local governments.

For 2020, the Republic recorded total revenues of ₩446.6 trillion and total expenditures and net lending of ₩517.8 trillion. The Republic had a fiscal deficit of ₩71.2 trillion in 2020.

For 2021, the Republic recorded total revenues of ₩537.6 trillion and total expenditures and net lending of ₩568.1 trillion. The Republic had a fiscal deficit of ₩30.5 trillion in 2021.

For 2022, the Republic recorded total revenues of ₩588.3 trillion and total expenditures and net lending of ₩652.9 trillion. The Republic had a fiscal deficit of ₩64.6 trillion in 2022.

For 2023, the Republic recorded total revenues of ₩543.6 trillion and total expenditures and net lending of ₩580.4 trillion in 2023. The Republic had a fiscal deficit of ₩36.8 trillion in 2023.

Based on preliminary data, the Republic recorded total revenues of ₩560.1 trillion and total expenditures and net lending of ₩603.6 trillion in 2024. The Republic had a fiscal deficit of ₩43.5 trillion in 2024.

Debt

The Government estimates that the total outstanding debt of the Government (including guarantees by the Government) as of 31 December 2023 amounted to approximately ₩1,102.1 trillion, an increase of 5.6% over the previous year.

The Government estimates that the total outstanding debt of the Government (including guarantees by the Government) as of 31 December 2024 amounted to approximately ₩1,150.9 trillion, an increase of 4.4% over the previous year.

The Ministry of Economy and Finance administers the national debt of the Republic.

External and Internal Debt of the Government

The following table sets out, by currency and the equivalent amount in U.S. dollars, the estimated outstanding direct external debt of the Government as of 31 December 2024:

Direct External Debt of the Government

	Amount in Original Currency	Equivalent Amount in U.S. dollars[1]
	(millions)	
US$	US$6,525.0	US$6,525.0
Euro (EUR)	EUR1,400.0	US$1,455.9
Total		US$7,980.9

(1) Amounts expressed in currencies other than US$ are converted to US$ at the arbitrage rate announced by the Seoul Money Brokerage Services, Ltd. in effect on 31 December 2024.

The following table summarises, as of 31 December of the years indicated, the outstanding direct internal debt of the Republic:

Direct Internal Debt of the Government

	(billions of Won)
2020	808,941.0
2021	927,865.2
2022	1,021,574.4
2023	1,080,844.4
2024	1,128,191.5

The following table sets out all guarantees by the Government of indebtedness of others:

	Guarantees by the Government				
	31 December				
	2020	2021	2022	2023	2024
	(billions of Won)				
Domestic	12,490.0	10,930.0	10,620.0	10,460.0	10,960.0
External[1]	—	—	—	—	—
Total	12,490.0	10,930.0	10,620.0	10,460.0	10,960.0

(1) Converted to Won at foreign exchange banks' telegraphed transfer selling rates to customers or the Market Average Exchange Rates in effect on 31 December of each year.

For further information on the outstanding indebtedness, including guarantees, of the Republic, see "—Tables and Supplementary Information".

External Liabilities

The following tables set out certain information regarding the Republic's external liabilities calculated under the criteria based on the sixth edition of the Balance of Payment Manual published by the International Monetary Fund in December 2010 and implemented by the Government in December 2013. Under BPM6, in particular, prepayments received in connection with the construction of ships are excluded from the external liabilities.

	31 December				
	2020	2021	2022	2023	2024[1]
	(billions of U.S. dollars)				
Long-term Liabilities	390.6	465.6	499.3	531.9	523.2
General Government	119.4	144.4	153.2	170.8	160.6
Monetary Authorities	15.0	35.9	25.0	22.5	23.4
Banks	112.2	128.1	146.8	147.6	137.0
Other Sectors	144.0	157.2	174.2	190.9	202.1
Short-term Liabilities	160.1	165.1	174.0	140.7	146.9
General Government	2.1	1.6	3.9	1.6	2.5
Monetary Authorities	10.8	9.7	4.7	3.9	3.3
Banks	122.0	124.3	129.7	101.9	107.3
Other Sectors	25.2	29.6	35.6	33.3	33.8
Total External Liabilities	550.6	630.7	673.3	672.5	670.0

(1) Preliminary.

Commitments to Assume Treasury Obligations

The Government may, if deemed necessary for recovery from disasters and calamities, make commitments to assume treasury obligations to the extent resolved by the National Assembly each fiscal year. In such cases, such commitments shall be executed in accordance with the procedures for spending reserve funds within general accounts.

Debt Record

The Government has always paid when due the full amount of principal of, interest on, and amortisation of sinking fund requirements of, all of its indebtedness.

Tables and Supplementary Information

(A) External Debt of the Government

(1) External Bonds of the Government

Series	Issue Date	Maturity Date	Interest Rate	Currency	Original Principal Amount	Principal Amount Outstanding as of 31 December 2024
			(%)			
2005-001 . . .	2 November 2005	3 November 2025	5.625	USD	400,000,000	400,000,000
2014-001 . . .	10 June 2014	10 June 2044	4.125	USD	1,000,000,000	1,000,000,000
2017-001 . . .	19 January 2017	19 January 2027	2.750	USD	1,000,000,000	1,000,000,000
2018-001 . . .	20 September 2018	20 September 2028	3.500	USD	500,000,000	500,000,000
2018-002 . . .	20 September 2018	20 September 2048	3.875	USD	500,000,000	500,000,000
2019-001 . . .	19 June 2019	19 June 2029	2.500	USD	1,000,000,000	1,000,000,000
2020-001 . . .	16 September 2020	16 September 2030	1.000	USD	625,000,000	625,000,000
2020-002 . . .	16 September 2020	16 September 2025	0.000	EUR	700,000,000	700,000,000
2021-001 . . .	15 October 2021	15 October 2026	0.000	EUR	700,000,000	700,000,000
2021-002 . . .	15 October 2021	15 October 2031	1.750	USD	500,000,000	500,000,000
2024-001 . . .	3 July 2024	3 July 2029	4.500	USD	1,000,000,000	1,000,000,000
Total External Bonds in Original Currencies				USD		USD6,525,000,000
				EUR		EUR1,400,000,000
Total External Bonds in Equivalent Amount of Won[(1)] . . .				(₩)		₩11,731,930,000,000

(1) U.S. dollar amounts are converted to Won amounts at the rate of US$1.00 to ₩1,470.0, the Market Average Exchange Rate in effect on 31 December 2024, as announced by Seoul Money Brokerage Services, Ltd. Euro amounts are converted to Won amounts at the rate of EUR 1.00 to ₩1,528.7, the Market Average Exchange Rate in effect on 31 December 2024, as announced by Seoul Money Brokerage Services, Ltd.

(2) External Borrowings of the Government

None.

(B) External Guaranteed Debt of the Government

None.

(C) Internal Debt of the Government

Title	Range of Interest Rates	Range of Years of Issue	Range of Years of Original Maturity	Principal Amounts Outstanding as of 31 December 2024
	(%)			(billions of Won)
1. Bonds				
Interest-Bearing Treasury Bond for Treasury Bond Management Fund	0.750-5.750	2006-2024	2025-2074	1,047,874.2
Interest-Bearing Treasury Bond for National Housing I	1.000-1.750	2015-2024	2020-2029	79,100.9
Interest-Bearing Treasury Bond for National Housing II	0.0	2009-2017	2019-2029	1.9
Interest-Bearing Treasury Bond for National Housing III	—	—	—	0
Non-interest-Bearing Treasury Bond for Contribution to International Organisations(1)	0	1967-1985	—	9.4
Total Bonds				1,126,986.5
2. Borrowings				
Borrowings from The Bank of Korea	—	—	—	0
Borrowings from the Sports Promotion Fund	2.875-3.665	2023-2024	2025-2029	960.0
Borrowings from The Korea Foundation Fund	—	—	—	0
Borrowings from the Labor Welfare Promotion Fund	2.920-2.935	2024	2025	50.0
Borrowings from Korea Technology Finance Corporation	2.870-3.100	2024	2026	195.0
Borrowings from the Credit Guarantee Fund for Agriculture, Forestry and Fisheries Suppliers	—	—	—	0
Borrowings from the Government Employees' Pension Fund	—	—	—	0
Borrowings from the Film Industry Development Fund	—	—	—	0
Borrowings from the Korea Credit Guarantee Fund	—	—	—	0
Borrowings from the Housing Finance Credit Guarantee Fund	—	—	—	0
Borrowings from the Korea Infrastructure Credit Guarantee Fund	—	—	—	0
Total Borrowings				1,205.0
Total Internal Funded Debt				1,128,191.5

(1) Interest Rates and Years of Original Maturity not applicable.

(D) Internal Guaranteed Debt of the Government

Title	Range of Interest Rates	Range of Years of Issue	Range of Years of Original Maturity	Principal Amounts Outstanding as of 31 December 2024
	(%)			(billions of Won)
1. Bonds of Government-Affiliated Corporations				
Korea Deposit Insurance Corporation	—	—	—	0
Korea Student Aid Foundation	1.230-5.480	2011-2024	2025-2044	10,350.0
Supply Chain Resilience Fund	2.820-2.960	2024	2026-2027	400.0
Key Industry Stabilization Fund	1.450-2.190	2020-2021	2025	210.0
Total Internal Guaranteed Debt				10,960.0

(E) Others

Commitments to Assume Treasury Obligations

The Government may, if deemed necessary for recovery from disasters and calamities, make commitments to assume treasury obligations to the extent resolved by the National Assembly each fiscal year. In such cases, such commitments shall be executed in accordance with the procedures for spending reserve funds within general accounts.

KOREA HOUSING FINANCE CORPORATION

Overview

KHFC was established in March 2004 as a quasi-sovereign entity pursuant to the KHFC Act in order to promote the welfare of people in Korea and the development of the national economy by providing a stable source of housing finance. KHFC's primary business consists of securitisation of mortgage loans which it purchases from Korean mortgage lenders in order to facilitate the supply of housing finance on a long-term and stable basis. Since its inception, KHFC has facilitated the provision by Korean mortgage lenders of long-term FRMs by executing 479 domestic MBS transactions with such mortgage loans as underlying assets. The principal amount of such transactions totalled over Won 413.6 trillion as at 31 December 2024. In 2024 alone, KHFC provided over Won 16.4 trillion in loans. KHFC is the largest originator of MBS in the Korean domestic securitisation market. As a Government-controlled entity, KHFC does not seek to maximise profits from its operations but rather seeks to maintain an overall level of profitability that allows it to strengthen its capital base in order to support its business. This approach also serves the public policy goals for which it was established.

The main loan products provided by KHFC or provided by participating lenders and funded by KHFC, are fixed rate mortgage loans with a maturity of up to 30 years (the "**KHFC Mortgage Loans**"). KHFC Mortgage Loans are intended to reduce the repayment burden of borrowers by offering a long-term fixed rate of interest when compared with many other types of mortgage loan products available in Korea. As described in further detail below, KHFC Mortgage Loans are issued on different terms and in different forms.

The KHFC Act authorises KHFC to issue "**mortgage-backed bonds**". Unlike traditional MBS, these are dual-recourse obligations which represent both:

(a) a claim on the general assets of KHFC; and

(b) a priority claim on the residential mortgage loans which are designated to secure payment of the mortgage-backed bonds, and which are managed separately from the other assets of KHFC.

The Covered Bonds have been designed to satisfy the requirements of the KHFC Act in relation to mortgage-backed bonds and, as such, to benefit from certain protections offered by the KHFC Act.

The terms of the KHFC Act further provide that the Government will cover any losses of KHFC that are not otherwise covered by reserves of KHFC maintained pursuant to the KHFC Act. KHFC is also authorised to borrow from the Government under certain circumstances. While the Covered Bonds are not guaranteed by the Government, this commitment from the Government may support the ability of KHFC to pay interest on and repay the principal of the Covered Bonds.

In addition to purchasing and securitising residential mortgage loans, KHFC is engaged in two other related but separately funded and managed businesses. KHFC manages the HFCGF, which is the source of (a) credit guarantees to financial institutions engaged in providing housing loans to homeowners or tenants and construction loans to small-sized home builders and (b) credit guarantees to financial institutions engaged in lending reverse mortgage loans to senior citizens. The Credit Guarantees

support the obligations of eligible home buyers and tenants under mortgage loans obtained from financial institutions other than KHFC. Similarly, the home builder guarantees provide support for the payment obligations of home builders to financial institutions providing construction loans to them. Under the reverse mortgage loan programme, the HFCGF provides the Reverse Mortgage Guarantees to other financial institutions in respect of the repayment obligations of borrowers who are eligible senior citizens under reverse mortgage loans, which represents a form of retirement financing. Since its inception, KHFC has provided guarantees amounting to approximately Won 1,720 trillion as at 31 December 2024.

The financial accounting for the Credit Guarantee and the Reverse Mortgage Guarantee businesses are entirely separate from KHFC's financial accounting in respect of its mortgage loan purchasing and securitisation operations. In addition, the Credit Guarantee business is funded from the assets of the HFCGF and not from KHFC's core mortgage loan acquisition and securitisation business. The Reverse Mortgage Guarantee business is funded from the "**Reverse Mortgage Guarantee Account**" of the HFCGF. Accordingly, losses in any one of these businesses will not be attributable to either of the other two. In addition, the Government provides separate support to the HFCGF in respect of certain losses incurred by the Credit Guarantee and the Reverse Mortgage Guarantee businesses that are not otherwise covered by reserves of the HFCGF and the Reverse Mortgage Guarantee Account, respectively.

KHFC also has an additional public policy role which involves it acting to stabilise the Korean mortgage market by acquiring mortgage loans, including KHFC Mortgage Loans, from other Korean financial institutions.

History and Development

Prior to the establishment of KHFC, mortgage securitisation to support the Korean housing market had been arranged by Korea Mortgage Corporation ("**KoMoCo**"), and the guarantee business for moderate- and low-income households had been provided separately by the HFCGF.

KHFC was established on 1 March 2004 pursuant to the KHFC Act by integrating the mortgage securitisation business of KoMoCo and the guarantee business of HFCGF. The KHFC Act, the Enforcement Decree of the KHFC Act (the "**KHFC Decree**"), the Enforcement Rules of the KHFC Act and KHFC's articles of incorporation define and regulate KHFC's powers and authority to conduct its businesses.

KHFC has taken a leading role in the development of the domestic MBS market in Korea in order to supplement the conventional funding sources of bank deposits and certificates of deposit, providing an additional funding source for FRMs. In March 2004, certain financial institutions began providing long-term fixed rate *Bogeumjari* loans developed by KHFC to their customers. In June 2004, KHFC began securitisation of residential mortgage loans in the form of MBS. In October 2005, KHFC began securitisation of student loans it purchased from financial institutions. In February 2006, certain financial institutions began providing to moderate and low-income home purchasers 30-year fixed rate *Bogeumjari* loans developed by KHFC. In March 2009, KHFC began securitising residential mortgage loans (other than *Bogeumjari* loans) owned by certain commercial banks. In May 2009, the student loan credit guarantee business was transferred to Korea Student Aid Foundation as a result of which KHFC ceased to manage the Student Loan Guarantee Fund. In June 2010, certain financial institutions began

providing *Bogeumjari* loans developed by KHFC. In March 2012, certain financial institutions began providing Conforming Loans. In 2014, KHFC introduced a new *Bogeumjari* loan product ("***Didimdol* loans**") which comprised 70.7% of all *Bogeumjari* loans extended in 2014. See "*—Products and Business*" for more information on *Bogeumjari* loans and Conforming Loans. Since July 2010 KHFC has issued numerous international covered bonds with *Bogeumjari* loans and/or Conforming Loans constituting the relevant cover pool.

For further information about the various types of mortgage loans offered by KHFC, see "*—Products and Business*".

As of 31 December 2024, KHFC has 31 branches.

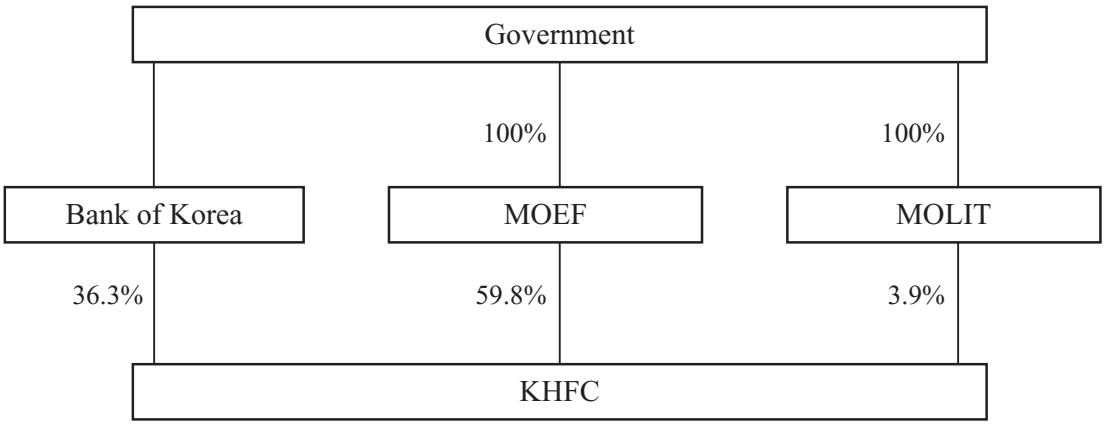
Relationship with the Government of Korea

Government Ownership and Control

KHFC was, as described above, established in 2004 pursuant to the KHFC Act with the objectives of promoting the welfare of people in Korea and developing the national economy, by providing a stable source of funding for housing finance. As an instrument in serving the Government's public policy objectives, KHFC is treated as a Government-controlled entity under Korean law, and its powers and authority to implement the Government's policies and the fiscal and regulatory support provided by the Government are defined in the KHFC Act, the KHFC Decree, the Enforcement Rules of the KHFC Act and KHFC's articles of incorporation.

Under the KHFC Act, KHFC's authorised capital is Won 5,000 billion to which only the Government and The Bank of Korea may contribute. As at 31 December 2024, KHFC's paid-in capital was Won 2,737.4 billion. Of this amount, Won 1,742.4 billion accounting for 63.7% of KHFC's paid-in capital was contributed by the Government via the Ministry of Economy and Finance (the "**MOEF**") and the National Housing and Urban Fund managed by the Ministry of Land, Infrastructure and Transport (the "**MOLIT**"), and Won 995 billion accounting for the remaining 36.3% of KHFC's paid-in capital was contributed by The Bank of Korea. Since KHFC's establishment in 2004, the Government has periodically injected capital into KHFC's business via the MOEF, The Bank of Korea and the MOLIT.

The following diagram illustrates the current ownership structure of KHFC:



Government Financial Support

The Government provides financial support to KHFC primarily through capital contributions and/or by its obligation under the KHFC Act to cover losses arising on KHFC's books at year end.

The capital contributions by the Government are made either in the form of an ordinary capital injection or an emergency capital injection, depending on the urgency of the funds required. An ordinary capital injection is executed from the Government's annual budget after the National Assembly of Korea passes a resolution authorising the allocation of funds based on, among other things, the results of KHFC's business operations and its business plan. If emergency funds are required, the Government allocates funding to KHFC out of its reserves without the approval of the National Assembly of Korea. In addition to contributions to KHFC's capital, the Government may provide funding for KHFC's financing activities by way of loans pursuant to Article 53 of the KHFC Act, although as at 31 December 2024, no loans have been provided by the Government.

The following table sets forth the details of each capital injection by the Government and The Bank of Korea in KHFC's business:

Name	Date of Capital Injection	Amount
		(Won in billions)
The Bank of Korea	1 March 2004	310
Ministry of Economy and Finance	1 March 2004	10
Ministry of Land, Infrastructure and Transport	12 June 2004	56.6
Ministry of Economy and Finance	29 June 2007	50
Ministry of Land, Infrastructure and Transport	24 January 2008	50
Ministry of Economy and Finance	12 December 2008	200
Ministry of Economy and Finance	2 January 2009	150
Ministry of Economy and Finance	30 January 2009	50
Ministry of Economy and Finance	25 May 2009	200
The Bank of Korea	31 July 2012	135
Ministry of Economy and Finance	15 March 2013	120
Ministry of Economy and Finance	11 June 2013	100
The Bank of Korea	5 June 2015	200
Ministry of Economy and Finance	31 August 2015	50
Ministry of Economy and Finance	24 December 2015	150
Ministry of Economy and Finance	13 July 2018	90
Ministry of Economy and Finance	18 April 2019	90
Ministry of Economy and Finance	22 April 2021	50
The Bank of Korea	30 August 2022	120
Ministry of Economy and Finance	29 September 2022	159
Ministry of Economy and Finance	3 March 2023	16.8
The Bank of Korea	23 June 2023	23
Total Capital Contributions		2,737.4

KHFC's mortgage securitisation business is supported by the Government pursuant to Articles 50 and 51 of the KHFC Act. Article 50 provides that KHFC's annual net income shall be applied each fiscal year as follows:

(a) 20% of such net income shall be transferred to its reserve until the total amount of such reserve equals the total amount of its paid-in capital;

(b) the balance of any such net income, after the transfer specified in paragraph (a) above, shall be distributed to KHFC's equityholders upon approval of the MOEF in accordance with the KHFC Decree; and

(c) the remaining balance of any such net income, after the distribution of dividends as specified in paragraph (b) above, shall be distributed in accordance with resolutions of the Housing Finance Steering Committee of KHFC and upon the approval of the FSC. Article 51 further provides that the annual net losses of KHFC shall be offset each year by its reserve, and if the reserve is insufficient to cover such losses, the Government shall cover KHFC's net annual losses that are in excess of its reserve.

Government Regulatory Support

The Government provides regulatory support to KHFC in a number of ways. In connection with the mortgage securitisation business, KHFC is provided with preferential treatment under certain laws and regulations. The following are examples of regulatory support provided by the Government which apply to, and facilitate, KHFC's mortgage securitisation business, as compared with other financial institutions:

(a) favourable required provisioning ratios applicable to KHFC's assets (pursuant to the KHFC Supervision Rules);

(b) lower risk weights applicable to MBS denominated in Won, which are currently 0% (pursuant to the Enforcement Rules on the Banking Business Supervision);

(c) waiver of the requirement to submit a registration statement for KHFC's securities (pursuant to the Financial Investment Services and Capital Markets Act);

(d) certain preferential treatment compared to private sector entities conducting securitisations under the Act Concerning Asset Backed Securitisation of Korea as amended from time to time and the rules and regulations and decrees promulgated thereunder (pursuant to Articles 26 to 28 of the KHFC Act); and

(e) reduction of registration fee on mortgage assets acquired from the Participating Banks (pursuant to Article 28 of the KHFC Act).

Government Supervision

Housing Finance Steering Committee

Although KHFC's management controls KHFC's day-to-day business operations, KHFC's operations are subject to the review and supervision by the Government, and KHFC carries out the Government's

overall housing finance policies. In order to enhance the co-operation and understanding among various levels of the Government, including among the FSC, MOEF, MOLIT and The Bank of Korea, the Housing Finance Steering Committee (the "**HFSC**"), the highest decision-making body of KHFC responsible for making decisions on all significant issues relating to KHFC's business operation, comprises senior Government officials affiliated with or persons appointed by the Government or The Bank of Korea. The HFSC currently consists of six members including: (a) the President and Chief Executive Officer (the "**CEO**") of KHFC who is appointed by the President of Korea; (b) one Government official from the FSC; (c) one Government official from the MOLIT; and (d) three individual experts in the housing finance market appointed by the FSC, of whom two are appointed at the recommendation of the MOLIT and The Bank of Korea.

Board of Directors

KHFC's board of directors is responsible for the management of KHFC's day-to-day business operations (the "**Board of Directors**"). KHFC's Board of Directors currently consists of 13 members. The President and CEO of KHFC are appointed by the President of Korea. Executive directors are appointed by the president and CEO, while non-executive directors are appointed by the FSC based on the recommendations of two or more candidates by the Officer Recommendation Committee. KHFC's auditor is appointed by the President of Korea at the recommendation of the MOEF.

Reporting Requirements and Audits

Each fiscal year, KHFC is required to submit its business plan and budget request to the Government and the budget is approved by the National Assembly of Korea. The major reporting requirements and audits to which KHFC is subject include the following:

(a) KHFC establishes and submits a five-year mid-term business plan and strategies to the FSC and the MOEF.

(b) 10 days prior to the beginning of each fiscal year, KHFC must submit to the FSC for approval KHFC's proposed business plan and budget for the next fiscal year as approved by the HFSC of KHFC.

(c) Within three months from the end of each fiscal year, KHFC must prepare and submit to the FSC statements of accounts, statements of financial position and income statements in respect of KHFC as approved by the HFSC of KHFC.

(d) Every month, KHFC submits to the FSS monthly reports on the overall business operations of KHFC including the capital adequacy ratio, liquidity and risk management.

(e) KHFC consults with or obtains approval from the FSC before launching new products.

(f) Within three months from the end of each fiscal year, KHFC must prepare and submit to the FSC statements of accounts, statements of financial position and income statement in respect of the HFCGF and the RMGA.

(g) KHFC must prepare and submit KHFC's financial statements to the MOEF (within three months after the end of each fiscal year) and to the National Assembly of Korea (within nine months after the end of each fiscal year) outlining KHFC's operations and analysing KHFC's activities during the relevant fiscal year.

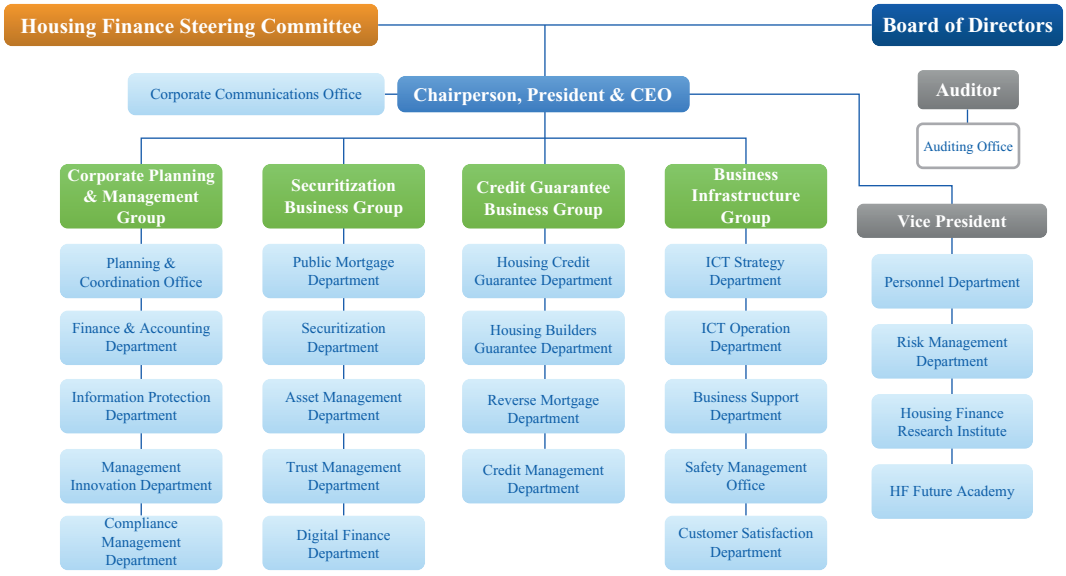
(h) KHFC is subject to an annual inspection and audit by the National Assembly of Korea according to the Act on the Inspection and Investigation of State Administration in respect of its overall operations, including the general implementation of its business plans, performance and closing of accounts.

(i) The Board of Audit and Inspection of Korea, an independent Government agency, audits and reviews KHFC's budget and financial statements.

(j) The FSC has broad authority to require reports from KHFC on any matter and to examine KHFC's books and records. It conducts ad hoc audits on all aspects of KHFC's operations.

Organisation and Structure

KHFC is managed by the HFSC, its highest decision-making body, and the Board of Directors, its highest executive body. The following diagram illustrates the organisational structure of KHFC:



KHFC's operating departments consist of the Corporate Planning & Management Group, the Securitization Business Group, the Credit Guarantee Business Group and the Business Infrastructure Group.

The key functions of the four groups are summarised as follows:

(a) Corporate Planning & Management Group: this group is responsible for the marketing of all products and services provided by KHFC and strengthening its customer-centred vision and services.

(b) Securitization Business Group: this group is responsible for arranging the securitisation of the KHFC Mortgage Loans purchased from participating lenders, including the Participating Banks.

(c) Credit Guarantee Business Group: this group is responsible for managing the HFCGF under which credit guarantees are provided to financial institutions that provide residential mortgage loans (including *chonsei* loans for key money deposit ("***Chonsei* loans**", as defined herein)) or construction loans to prospective home purchasers/tenants and small-sized home builders, as applicable.

(d) Business Infrastructure Group: this group is responsible for establishing and reviewing the overall plans and strategies of each business group of KHFC.

Products and Business

KHFC is primarily engaged in the business of: developing and purchasing KHFC Mortgage Loans; securitising the KHFC Mortgage Loans; and managing the HFCGF under which the Credit Guarantees and Reverse Mortgage Guarantees are provided to certain financial institutions which lend to home buyers, home builders and senior citizens, as applicable.

The main features of the products and services that KHFC offers are summarised as follows:

(a) KHFC Mortgage Loans: KHFC Mortgage Loans are long-term mortgage loans provided at fixed rates and are provided by certain participating lenders, including the Participating Banks, in accordance with a pre-arranged acquisition agreement and subsequently sold to KHFC.

(b) Securitisation: KHFC arranges for the securitisation of the mortgage loans it purchases from certain participating lenders, including the Participating Banks, pursuant to a pre-arranged acquisition agreement, and of other types of mortgage loans originated by financial institutions which satisfy KHFC's acquisition criteria. Securitisation provides KHFC with the primary funding source for the ongoing purchase of KHFC Mortgage Loans and provides participating lenders originating other mortgage loans with a means to improve their liquidity risk position.

(c) Management of the HFCGF in relation to Credit Guarantees: KHFC manages the HFCGF under which credit guarantees in respect of housing loans (including *Chonsei* loans) and home builder loans are provided to the relevant lenders (other than KHFC) to support payment obligations of moderate- and low-income households and small-sized home builders under such loans.

(d) Management of the HFCGF in relation to Reverse Mortgage Guarantees: KHFC manages the HFCGF under which credit guarantees in respect of reverse mortgage loans are provided to the relevant lenders (other than KHFC) to support payment obligations of certain senior citizens. The reverse mortgage loans allow senior citizens to provide their homes as collateral for establishing mortgage or trust thereon and obtain loans in the form of a monthly pension.

KHFC Mortgage Loans

KHFC Mortgage Loans are long-term, fixed rate instalment mortgage loan products. From 25 March 2004 to 31 December 2024, participating lenders advanced a total of approximately Won 447.5 trillion

in KHFC Mortgage Loans. As at 31 December 2024, KHFC Mortgage Loans were provided by 29 commercial banks, specialised credit finance companies and insurance companies including the Participating Banks.

The major terms of the KHFC Mortgage Loans include the following:

(a) The eligible borrowers are limited to borrowers who are 20 years and older.

(b) The maturity of the KHFC Mortgage Loans is up to 40 years.

(c) The KHFC Mortgage Loans may cover up to 70% of the home purchase price, subject to the maximum loan amount of Won 500 million.

(d) KHFC Mortgage Loans are not granted for the purchase of a mortgaged property with a value at the time of taking out the loan in excess of Won 900 million.

KHFC Mortgage Loans are categorised into the following three main product types:

(a) *Bogeumjari* Loans: *Bogeumjari* loans were introduced by KHFC in 2004 and are long-term, fixed rate instalment mortgage loan products mainly targeting moderate- and low-income households. *Bogeumjari* loans are only available to families who do not own a home or own only one home but will sell their existing home within two years of taking out the loan. Interest rates on *Bogeumjari* loans are set by KHFC with originating banks earning a fixed servicing fee. Low-income borrowers that satisfy certain criteria may be eligible for discounts from the standard *Bogeumjari* loan interest rate with such discount subsidised by the Government. As of the end of 2024, a total of Won 313.5 trillion in *Bogeumjari* loans had been extended. In 2024, KHFC provided Won 6.6 trillion to approximately 30,000 households via the basic type of *Bogeumjari* loans, representing 100% of *Bogeumjari* loans. In 2024, KHFC did not provide any *Didimdol* loans, a type of *Bogeumjari* loan launched in 2014. Borrowers may apply for *Bogeumjari* loans either via participating lenders or from KHFC directly. Certain *Bogeumjari* loans that are originated through KHFC are also serviced by KHFC ("**KHFC Serviced Mortgage Loans**") and the borrowers receive an interest rate discount.

(b) New Relief Conversion Loan: On 23 July 2019, KHFC and the FSC announced they will be introducing a one-time offering of up to Won 20 trillion of the New Relief Conversion Loan that would allow low- to middle-income households to refinance their existing mortgage loans into fixed rate mortgage loans. Designed to provide relief in decreasing the household debt burden and creating a predictable mortgage amortisation schedule, this new offering reflects the Government's recent objective to maintain household debt levels while satisfying the demands of low- to middle-income households for long-term, stable, fixed-rate interest mortgage loans. In order to qualify for the New Relief Conversion Loan, the candidate must meet the following criteria: (i) the annual income of the household must be lower than Won 85 million, (ii) property ownership must be restricted to one home, (iii) use of the proceeds is limited to repayment of the loan for conversion and (iv) the mortgaged property value must be below Won 900 million. Loan limit is up to Won 500 million, with maximum LTV ratio of 70% and maximum DTI ratio of 60% Interest rate is expected to be around 1.85 to 2.2% with tenor of up to 30 years.

(c) Conforming Loans: Conforming loans are a product introduced by KHFC in partnership with participating lenders in March 2012 for the purpose of further promoting the origination of long-term fixed rate mortgage products in Korea ("**Conforming Loans**"). The origination of Conforming Loans by banks is also part of a broader policy initiative of the FSS in Korea to manage household debt levels. Interest rates on Conforming Loans are determined by the relevant participating lenders, with KHFC charging a fixed financing cost to participating lenders for the purchase of such Conforming Loans. Borrowers may only apply for Conforming Loans via participating lenders. The Conforming Loan encourages commercial banks to shift existing short term, floating-rate loans subject to lump-sum payments at maturity to long-term, fixed-rate amortising loans. In particular, as part of 'Household Debt Restructuring Programme', the Safe Conversion Conforming Loan (the "**Safe Conversion Conforming Loan**"), which launched in March 2015 as a one-time offering, supplied Won 32 trillion to approximately 320,000 households and successfully carried out the overhaul of the household debt structure without increasing the total volume of household loans. The Safe Conversion Conforming Loan provided interest rates of around 2%, which was the lowest in the market at the time of its launch. At the same time, the Safe Conversion Conforming Loan exempted the entire reimbursement penalty on previous floating rate loans or loans in repayment in order to ease the burden of loan transition on the borrowers. By solidifying the debt repayment structure, easing the risk of an increase in interest costs and reducing the financial cost to the borrowers, the Safe Conversion Conforming Loan accomplished its initial goal of stabilising and improving the structure of household debts. Including Won 0.06 trillion of conforming loans to 333 households in 2023, from the time of its release to 2023, a total of 1,230,626 households were supplied with Won 135 trillion worth of Conforming Loans (including Safe Conversion Conforming Loans), which has led to the improvements of the structure of lending from short-term, adjustable rate, bullet payment loans to long-term, fixed rate, amortised mortgages. Consequently, the proportion of fixed-rate amortising mortgage loans has substantially grown, which has contributed to restructuring Korean domestic household debt loads. However, no Conforming Loans were made in 2024.

The following table sets forth the aggregate volume of KHFC Mortgage Loans made by participating lenders for each period:

	As of 31 December		
	2022	2023	2024
	(Won in billions)		
Total amount of *Bogeumjari* loans	21,685.8	49,239.4	6,588.7
Total amount of Conforming Loans	1,548.8	57.7	—
Total amount of KHFC Mortgage Loans	23,234.6	49,297.1	6,588.7

The following table sets forth the composition of the KHFC Mortgage Loans originated for each period:

	As of 31 December		
	2022	2023	2024
		(%)	
Bogeumjari loans	93.3	99.9	100.0
Conforming Loans	6.7	0.01	—

Securitisation Business

KHFC acquires, based on a pre-arranged acquisition agreement, KHFC Mortgage Loans advanced by financial institutions in accordance with specific acquisition standards, and subsequently securitises them in the form of MBS with such loans as the underlying assets. Generally, KHFC's MBS are structured as senior securities with nine different maturity periods (from one year to 30 years), while the subordinated securities have a maturity period of 31 years.

KHFC is also engaged in the business of purchasing from a number of commercial banks in Korea, and securitising, certain residential mortgage loans (other than KHFC Mortgage Loans), which comply with KHFC's acquisition standards. KHFC securitises such mortgage loans in the form of MBS and the senior tranches of such securities are then sold to the commercial banks that sold the relevant underlying assets to KHFC ("**Mortgage-MBS swaps**"). Mortgage-MBS swaps are aimed at, among other things, improving the BIS ratio and liquidity in respect of those commercial banks.

Since its establishment to December 2024, KHFC also securitised residential mortgage loans (including but not restricted to KHFC Mortgage Loans) totalling Won 413.6 trillion by executing 479 MBS transactions with such mortgage loans as the underlying assets, of which Won 13.8 trillion were in the form of Mortgage-MBS swaps.

The volume of *Bogeumjari* loans supplied in 2022, 2023 and 2024 was Won 21,685.8 billion, Won 49,239.4 billion and Won 6,588.7 billion, respectively. The volume of Conforming Loans supplied in 2022 and 2023 was Won 1,548.8 billion and Won 57.7 billion, respectively. No Conforming Loans were supplied in 2024. The volume of MBS issued in 2022, 2023 and 2024 was Won 15,025.3 billion, Won 33,403.5 billion and Won 16,461.1 billion, respectively.

Housing Finance Credit Guarantees

KHFC manages the HFCGF pursuant to the KHFC Act. Credit Guarantees are provided to the financial institutions lending *Chonsei* loans or ordinary mortgage loans to eligible tenants or prospective home buyers. Credit Guarantees are also provided to the financial institutions providing home building loans to eligible home builders in order to promote housing construction. From 2004 until 31 December 2024, the HFCGF provided Credit Guarantees amounting to Won 721.3 trillion to support the payment obligations of borrowers contributing to the housing stability of moderate- and low-income households. The volume of credit guarantees provided for housing finance in 2022, 2023 and 2024 was Won 72,990.7 billion, Won 75,526.0 billion and Won 76,257.6 billion, respectively. The volume of the underlying assets in 2022, 2023 and 2024 was Won 8,899.3 billion, Won 10,017.6 billion and Won 10,995.7 billion, respectively.

Customers requesting KHFC's Credit Guarantee are largely moderate- and low-income households with an annual income of Won 30 million or less, a CSS (credit scoring system) grade of six or lower or residing in a home that is 85m^2 or smaller. Likewise, guarantees for home builders are provided mainly to construction companies that build rental housing for moderate- and low-income households with no home, small and medium-sized home builders, and home builders based in provincial areas, which tend to be relatively less financially secure.

Reverse Mortgage Guarantees

JooTaekYeonKeum ("**JTYK**") is a reverse mortgage programme launched on 12 July 2007. It allows senior citizens to provide their homes as security and obtain loans in the form of monthly pension benefits. It is thus a form of retirement funding. This programme provides financial and housing security to senior citizens, who own their houses but lack regular cash income, for the remainder of their lives. Since JTYK's launch until 31 December 2024, the HFCGF provided JTYK credit guarantees amounting to Won 171,963.7 billion to the financial institutions lending JTYK mortgage loans to 136,146 senior citizens. The volume of reverse mortgage loans provided in 2022, 2023 and 2024 was Won 24,969.2 billion, Won 22,501.6 billion and Won 19,449.9 billion, respectively. The volume of pay-outs on reverse mortgage loans in 2022, 2023 and 2024 was Won 1,924.2 billion, Won 2,385.6 billion and Won 2,640.6 billion, respectively.

Information Technology

A sophisticated and comprehensive information technology system is crucial to support KHFC's operations management. Accordingly, KHFC has made significant investments in its technology and information systems. In 2006, KHFC spent approximately Won 16 billion in the construction of its IT systems that are customised to its specific businesses.

KHFC's IT systems are designed to ensure continuity of services by utilising backup systems in the disaster recovery data centre even when there is a failure of the host data centre due to a natural disaster or other accidents. KHFC's IT systems back up on a daily basis on backup tapes all of its operational data and information including that relating to its securitisation business and guarantee business. In January 2007, in order to minimise operational risks relating to its IT systems, KHFC implemented a disaster recovery system, which backs up KHFC's data systems at an off-site location operated by LG CNS on a real-time basis to ensure that KHFC's operations can be carried out normally and without material interruption in the event that KHFC's main server fails. Under the current disaster recovery plan, KHFC's data systems backed up at the off-site location can be recovered in a relatively short period of time in case of any data loss at KHFC. KHFC currently tests its disaster recovery systems twice a year. To date, KHFC has not experienced any significant data loss.

Internally, KHFC's ICT Operation Department establishes and reviews KHFC's overall IT strategy and upgrading plan, and monitors all of its electronic and computerised network processes, including its information security system. The ICT Operation Department also provides, among other things, operational support to each business group including collections of principal and interest payments in connection with its securitisation business and management of KHFC Serviced Mortgage Loan-related systems.

Principal Properties

KHFC's registered office and head office is located at BIFC 40, Munhyeongeumyung-ro, Nam-gu, Busan 48400, Korea. KHFC owns its head office property. As of 31 December 2024, KHFC has 31 branches. The premises occupied by KHFC's branch offices and collection centre are leased properties. Lease terms are generally two years.

Legal Proceedings

There are no material legal, regulatory or administrative actions of significance or litigation currently pending or, to KHFC's knowledge, threatened against KHFC.

Employees

As at 31 March 2025, KHFC had 855 full-time employees (including the executive directors and officers) as well as 149 contract employees.

KHFC's labour union was formed in 2004, and as of 31 December 2024, 100.0% of KHFC's eligible employees were members of the union. Every year, usually in November, the union and the management enter into a new collective bargaining agreement and negotiate annual wage adjustments.

To date, KHFC has never experienced a work stoppage.

The compensation package of KHFC's employees consists of base salary and base bonus. In addition, KHFC provides performance-based compensation to employees. KHFC pays such bonuses to its employees in addition to the base salary depending on their annual performance.

KHFC provides a wide range of fringe benefits to its employees including medical insurance, employment insurance, workers compensation, free medical examinations, reimbursement for certain medical expenses, housing purchase loans, home rental loans, and university scholarship loans to children of its employees.

RISK MANAGEMENT

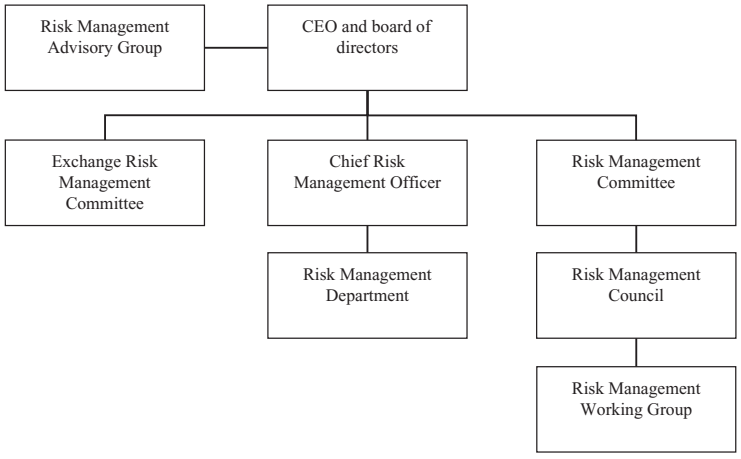
KHFC is exposed to risks relating to its purchase and holding of mortgage loans, securitisation of such mortgage loans, trading and other businesses, as well as risks relating to its operating environment. KHFC's objectives in risk management are to understand, measure and monitor the various risks that arise and to adhere, as far as reasonably and practicably possible, to the policies and procedures that it has established to address these risks, while allocating an "equity capital limit" to each risk type. The principal types of risks faced are credit risk, market risk (including liquidity risk, interest rate risk and trading risk), prepayment risk, operational risk, strategic risk and legal risk.

Policies and Procedures

KHFC's risk management framework is implemented in the form of policies, procedures, and established limits and designations and other risk management tools. The Board of Directors established the Risk Management Policy in March 2004 which sets forth proactive, systematic and disciplined approaches covering all major areas of risk. KHFC continuously develops and improves upon its risk management framework to maintain an integrated and comprehensive risk management and internal control system, making periodic evaluations and necessary adjustments to reflect the changing business and risk environments. KHFC reports on a monthly basis to the FSS with respect to its overall risk profile.

Organisation

KHFC maintains a multi-layered risk management governance structure. At the top of such governance structure is the Risk Management Committee which reports directly to the Board of Directors. The Risk Management Committee is chaired by an independent director, and the majority of its members are outside experts and non-executive directors. The Risk Management Committee is supported by the Risk Management Review Council. KHFC's Risk Management Department is responsible for establishing the entire risk management infrastructure and strategizing, monitoring and supervising day-to-day risk management efforts and reports to the Risk Management Committee, the Risk Management Review Council as well as KHFC's President and CEO, while supervising working-level risk managers in their respective business units. The following diagram illustrates KHFC's risk management governance structure:



Risk Management Committee

KHFC's Risk Management Committee is a special committee of the Board of Directors to which the Board of Directors has delegated the authority and responsibility with respect to risk management. The Risk Management Committee advises the Board of Directors on all risk management issues. The committee is responsible for overseeing and making determinations on all issues relating to comprehensive risk management functions of KHFC. In order to ensure a stable financial condition and compliance with risk management policies, the committee monitors KHFC's overall risk exposure compliance with various risk policies and risk limits.

Risk Management Council

KHFC's Risk Management Review Council supports the Risk Management Committee by reviewing, monitoring, testing and making recommendations with respect to KHFC's activities, in particular, with regard to the introduction of new products or systems. It is chaired by KHFC's Vice President and its members include two managing directors, the head of the Risk Management Department and heads of key business departments.

Risk Management Department

The Risk Management Department is primarily responsible for establishing KHFC's entire risk management infrastructure and strategizing, monitoring and supervising day-to-day risk management efforts in co-ordination with working-level risk managers. Its primary responsibilities include:

(a) establishing organisation-wide risk management strategies;

(b) setting, allocating and managing risk capital limits;

(c) pre-screening risks during the development of new products and introduction of new systems;

(d) managing market risk, credit risk and liquidity risk;

(e) monitoring prepayment risk of KHFC Mortgage Loans;

(f) analysing other risks on a continuing basis in order to effectively deal with changes in the business environment; and

(g) supervising working-level risk managers.

The Risk Management Department, based on its risk monitoring efforts including its interactions with working-level risk managers, regularly provides the following reports to the Risk Management Council and KHFC's President and CEO:

(a) quarterly reports which cover:

    (i) the overall risk management status; and

    (ii) risk capital exposure; and

(b) monthly reports which cover:

(i) marketable security risk;

(ii) credit risk; and

(iii) market and liquidity risk (addressing market risks including liquidity risk and interest rate risks).

Risk Management Working Group

The Risk Management Department supervises risk managers located in KHFC's head office and branches. The head office and each branch has a manager who supervises risk management efforts. These managers perform their functions in co-ordination with each other through working-level meetings of risk managers. They are responsible for risk management in order to ensure proper separation of duties within the organisation and implement risk management policies and procedures within their respective units. They also propose improvements to the risk management function, in light of their actual experience of assessing and managing different risks. To ensure checks and balances in operations and procedures, these managers report directly to the Risk Management Department.

Auditing Office

The Auditing Office is another element of KHFC's risk management function. Its responsibility is to assist the Board of Directors in monitoring and overseeing all business units and to ensure that each unit operates effectively and efficiently, in line with organisational goals, including KHFC's standards and operating procedures. The Auditing Office evaluates the effectiveness of the risk management controls and corporate governance processes. Copies of all reports and written recommendations submitted by the Risk Management Committee, Risk Management Review Council and Risk Management Department to the President or the Chief Financial Officer of KHFC are also provided to the Auditing Office for its review from an internal audit perspective.

The Auditing Office conducts its audit process in accordance with the internal audit policies and guidelines set forth in KHFC's Internal Audit Policies. The Auditing Office does not report to management. It performs a check and balance function, undertaking periodic risk management audits on a quarterly basis, supplemented by an annual audit. The position of Auditor is open to candidates from outside of the organisation. KHFC's Executive Recommendation Committee recommends multiple candidates to the Committee for Management of Public Institutions, an office of the MOEF. The President of Korea appoints the Auditor in accordance with the recommendation for nomination by the Minister of MOEF from multiple candidates, as recommended by the KHFC's Executive Recommendation Committee, who have undergone the Committee for Management of Public Institutions' review and approval process.

Credit Risk

Overview

Credit risk is the risk of loss that may occur from the failure of any borrower or other counterparty to abide by the terms and conditions of any financial contract with KHFC. KHFC faces credit risk principally from (a) its purchase and holding of mortgage loans and (b) the guarantees it provides in respect of the payment obligations under the MBS originated by KHFC. KHFC's primary goal is to maintain sound credit quality and enhance efficiency in its operations. In close coordination with the Participating Banks, KHFC maintains well-defined credit policies, credit analysis, collateral appraisal, credit approval, loan documentation and disbursement and ongoing post-disbursement reviewing, monitoring and reporting functions.

The FSS requires the classification of portfolios of loans and certain other credits on the basis of the following five categories: (a) normal, (b) precautionary, (c) substandard, (d) doubtful and (e) estimated losses. Based on the FSS classifications, those loans classified as substandard, doubtful and estimated losses are considered to be substandard and below loans. KHFC's net substandard and below loans as a percentage of total loans were 0.27% and 0.38% as at 31 December 2023 and 31 December 2024, respectively.

KHFC's credit risk management begins with an assessment of the risk of loss that may result from borrower or counterparty default. KHFC's credit decision process is based on several systematic measures, as further described below.

Credit Policies and Procedures

KHFC recognises the constant need to strengthen its credit risk management skills and to this end KHFC has continued to improve its credit risk management procedures and policies to align itself more closely with international best practices. The most recent development in relation to the management of credit risk was the introduction of a credit risk measurement model in July 2010, which was designed both to enhance KHFC's credit risk management capabilities and to assist in the satisfaction of regulatory guidelines. KHFC currently meets all criteria established by the FSS as being applicable to it.

Credit Approval

KHFC's Housing Finance Steering Committee determines the standards pursuant to which KHFC purchases KHFC Mortgage Loans from the Participating Banks. KHFC only purchases KHFC Mortgage Loans which have been originated in compliance with certain standards which provide for several requirements regarding the following factors:

Loans

(a) debt to income ("**DTI**") ratio;

(b) LTV ratio;

(c) maximum loan amount;

(d) maximum value of collateral (residential property);

(e) maturity;

(f) prepayment fees;

Borrower

(a) age;

(b) nationality;

(c) credit rating;

(d) credit history;

(e) number of residential properties owned; and

Priority of security

(a) priority ranking (must be first priority security interest subject to certain exceptions)

As at 31 December 2024: (a) the maximum LTV ratio for *Bogeumjari* loans was 70 per cent. for apartments and 65 per cent. for other types of property and the maximum DTI ratio was 60 per cent. and (b) the maximum LTV ratio for Conforming Loans was 70 per cent. and the maximum DTI ratio was 60 per cent. KHFC requires each Participating Bank to originate all KHFC Mortgage Loans pursuant to such underwriting standards. The LTV ratio of a Mortgage Loan is calculated by reference to the principal amount outstanding of the Mortgage Loan and the value of the Mortgage Property, after taking into account local regulations.

Credit Review and Monitoring

The programme between KHFC and the Participating Banks setting out the terms relating to the acquisition of, among other things, the Mortgage Loans (the "**Commitment Programme**") between KHFC and the Participating Banks requires the Participating Banks to monitor and manage the KHFC Mortgage Loans in accordance with their respective normal practices for managing their loan assets. Upon KHFC's acquisition of KHFC Mortgage Loans from the Participating Banks pursuant to the Commitment Programme, the Participating Banks continue to service those KHFC Mortgage Loans under the respective loan servicing agreements which typically are entered concurrently with the relevant loan sale and purchase agreements.

Recovery of Non-Performing Loans

Each Participating Bank is responsible for handling the recovery of non-performing KHFC Mortgage Loans which it owns (before the transfer to KHFC) or which it services for KHFC (after such transfer). KHFC does not participate in such recovery effort until there is a deficiency after the liquidation of

collateral through court-supervised auction. In such cases, the Credit Management Department of KHFC handles the recovery of such deficiency amount by utilising the Collection Management Centre for the Seoul-Metropolitan Area and its branches for the rest of the Republic.

Market Risk

Market risk is the risk of loss to future earnings, to fair value or to future cashflows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates and other market changes that affect market risk sensitive instruments. Market risk arises with respect to all market risk sensitive financial instruments, including securities, loans, borrowings and derivative instruments. KHFC's exposure to market risk is a function of its asset and liability management activities and its trading activities for its own account. The objective of market risk management is to avoid excessive exposure of earnings and equity to loss and to reduce exposure to the volatility inherent in financial instruments. The principal market risks to which KHFC is exposed are interest rate risk, liquidity risk and, to a lesser extent, trading risk. The financial instruments that expose the organisation to these risks are its mortgage loans, securities and financial derivatives. KHFC is not exposed to commodity risk as it does not hold any commodity positions. The Risk Management Department, together with the risk managers on a working level, monitors KHFC's market risk by periodically comparing each category of market risk exposure to certain risk management indices which were devised in order to facilitate the evaluation of such risks, determined by reference to risk parameters. For example, in the case of liquidity risk such parameters include liquidity ratios, the rate of increase in unsecuritised loans and commercial paper spread of KHFC.

The FSS requires that KHFC uses standardised methodology to calculate the amount of capital required to cover its market risks. KHFC incorporates market risk considerations into the calculation of capital adequacy, based on FSS requirements.

KHFC also implements stress testing to assess its market risk exposure to abnormal market fluctuations. Abnormal market fluctuations include significant increases in the general level of interest rates, significant declines in the securities market and significant prepayments of loans. Stress testing projects the anticipated change in value of holding positions under certain scenarios assuming that no action is taken during a stress event to change the risk profile of a portfolio. KHFC monitors the impact of market turmoil or any abnormality. If the impact is large, the relevant risk manager may request remedial actions to be implemented.

Liquidity Risk

Liquidity risk arises in the funding of purchases of mortgage loans and in the management of working capital needs. Liquidity risk is the potential inability to fund obligations to lenders, investors or borrowers. A predominant portion of KHFC's liabilities is KHFC bonds that are outstanding, the maturity of which is typically three years, and short-term borrowings from domestic banks. On the other hand, as at 31 December 2023 and 31 December 2024, the current ratios of liquid assets to liquid liabilities were 503.9% and 2,543.3%, respectively. The maturity mismatch must be managed properly. The goal of liquidity management is for KHFC to be able, even under adverse conditions, to meet all its contractual and regulatory financial obligations. KHFC monitors its liquidity on a daily, weekly and monthly basis and is able to monitor its trading activity throughout the day and has consistently maintained a liquidity ratio of more than 70%, being the liquidity threshold required by its regulator.

KHFC tries to reduce maturity mismatches by continuing to undertake securitisations of its mortgage loan assets.

KHFC emphasises maintaining adequate liquidity to meet its commitments to its customers and counterparties, both in terms of long-term fixed rate loan demand and repayment of its borrowings and in terms of satisfying operational liquidity requirements. KHFC aims to balance the term and composition of its liabilities and assets and to minimise the gap between payments received and payments to be made. KHFC's Risk Management Department carries out the function of managing liquidity requirements.

KHFC seeks to maintain adequate liquidity to meet its financial commitments on a cost-effective basis. KHFC's liquid assets consist primarily of cash, deposits with domestic banks and available-for-sale securities. KHFC can obtain funds on short notice by borrowing from banks. KHFC aims to maintain liquidity by holding sufficient quantities of liquid assets with which to meet actual or potential demands for funds from its lenders and manages liquidity by ensuring that the excess of maturing liabilities over maturing assets in any period is kept at manageable levels relative to the amount of funds it believes it can generate within such period.

Interest Rate Risk

KHFC's principal interest rate-sensitive liabilities are its borrowings, including KHFC bonds that are outstanding and bank borrowings. KHFC's principal assets are KHFC Mortgage Loans which it owns and which it has committed to purchase from the Participating Banks under the Commitment Programme to Purchase Mortgage Loans. As at 31 December 2023 and 2024, 100% of KHFC's loan assets were fixed rate KHFC Mortgage Loans. On 1 January 2012, KHFC discontinued all hybrid fixed/floating rate products. None of the Mortgage Loans in the Cover Pool are floating rate loans.

KHFC's Securitisation Department together with the Risk Management Department monitors interest rate movements and, when deemed necessary, makes adjustments to the interest rate applicable to loans in consultation with the Government to account for interest rate movements. It also determines the amount of interest rate risk exposure that needs to be hedged, which is based upon the amount of the loans that will be available for securitisation within a three-month period.

In September 2010, KHFC formed an Interest Rate Review Committee which meets on a monthly basis to decide the mortgage interest rate pricing and publicly disclose the interest rate pricing. The Interest Rate Review Committee decides the monthly applied interest rate by taking into account the income and expense estimates as well as the prevailing market situation.

KHFC's primary means of hedging interest rate risk are derivative transactions using hedging instruments including: (a) Korea Exchange-traded KTB futures and (b) over-the-counter interest rate swaps with domestic and foreign banks as counterparties. KHFC hedges its interest rate risk by taking short positions on KTB futures and taking fixed rate payer positions on interest rate swaps in order to offset loss from an interest rate rise. By their nature, derivative instruments themselves are subject to market risk and (other than in relation to KTB futures) counterparty risk, which KHFC monitors and mitigates by exercising contractual rights against its counterparties. KHFC does not utilise derivative instruments for speculative purposes.

KHFC's primary means of measuring its exposure to fluctuations in interest rates is gap analysis, which provides a static view of the maturity and repricing characteristics of positions in its statements of financial position. An asset or liability is said to be interest rate-sensitive if it matures or reprices within a specified period of time. Mismatches in the amount of assets and liabilities maturing or being repriced at a particular date expose KHFC to the risk that the margins on new or repriced assets and liabilities may change, and indicate the level of interest rate risk. An interest rate gap report is prepared by scheduling all assets and liabilities according to a stated or anticipated repricing date, or maturity date. A gap is considered positive when the amount of interest rate-sensitive assets exceeds the amount of interest rate-sensitive liabilities for that maturity or repricing period. A gap is considered negative when interest rate-sensitive liabilities for a particular period exceed interest rate sensitive assets. During a period of rising interest rates, a negative gap would tend to adversely affect net interest income, while a positive gap would tend to result in an increase in net interest income, and vice versa.

Trading Risk

In compliance with FSC regulations to purchase any domestic securities that are rated "AAA" by major Korean rating agencies, KHFC invests in treasury bonds issued by the Government or "AA-" rated bonds issued by Korean companies. KHFC also holds subordinated tranches of MBS that it has issued. To assist in monitoring its trading activities, the Risk Management Department produces daily and monthly value-at-risk ("**VaR**") reports for all the securities traded by KHFC. The VaR reports are intended to provide measures of the risk of losses arising from potential adverse movements in interest rates and other volatilities that could affect values of securities. To manage abnormal market behaviour, KHFC applies stress testing methodologies to quantify financial risk arising from low probability and abnormal market movements.

Prepayment Risk

Prepayment risk is (a) the risk of lowered returns on subordinated MBS tranches held by KHFC due to reinvestment loss resulting when the prepayment rate in the securitised mortgage loan exceeds the assumed level as well as (b) the liquidity risk resulting when such prepayment rate stays below the assumed level. KHFC manages prepayment risk by taking measures such as imposing penalties on prepayment and structuring MBS transactions to give KHFC a call option. In order to assess prepayment risk, KHFC performs (i) periodic evaluation of adequacy of its prepayment rate assumption and (ii) analysis of salvage value of KHFC's subordinated MBS tranches in relation to changes in prepayment rate.

For the purpose of systematically assessing and managing prepayment risk, KHFC has developed, and continues to improve upon, a structuring model which it utilises in structuring securitisation transactions.

Operational Risk

KHFC is exposed to many types of operational risks. The major causes of operational risk are people, processes, systems, technology and external factors. Operational risks include risks relating to fraud by employees or persons outside the organisation, the execution of unauthorised transactions by

employees, human errors related to transaction processing and technology, breaches of internal controls and compliance requirements and disaster recovery systems. In the event of a breakdown in the internal control systems, improper operation of systems or improper employee actions, KHFC could suffer financial loss, regulatory action and suffer damage to its reputation.

KHFC's risk managers located in or responsible for the head office and branches report directly to the Risk Management Department. The Risk Management Department is responsible for managing and monitoring operational risks on an organisation-wide basis. Further, KHFC's Auditing Office reinforces the system of internal controls through regular, risk-based and ongoing audit procedures and reports on the effectiveness of its internal controls to the Board of Directors.

Strategic Risk

The Strategy Deliberation Sub-Committee, which is a committee of the Board of Directors and which is chaired by one of the non-executive directors, is responsible for monitoring strategic risk by identifying the strategies in implementation and their target results in co-operation with the Risk Management Committee. The Board of Directors, business divisions and branches also review the fundamental strategies and focus on changes in management, operation and information technology matters. The Strategy Deliberation Sub-Committee analyses the reports and business plans generated by such efforts and advises the Board of Directors.

Legal Risk

The uncertainty of the enforceability of the obligations of borrowers and counterparties, including enforcement by foreclosure on collateral, creates legal risk. Changes in law and regulation could adversely affect the organisation of KHFC. KHFC seeks to reduce legal risk by using appropriate legal documentation, employing procedures designed to ensure that transactions are properly authorised and consulting internal and external legal advisers. The Risk Management Department and the Legal Team jointly with each relevant division regularly analyse the impact of changes in relevant regulations and any legal cases.

Reputational Risk

The Auditing Office is responsible for managing reputational risk and formulating systematic responses to any events that may negatively affect KHFC's reputation. KHFC's Customer Satisfaction Department also carefully monitors the areas where reputational risk is inherent such as customer complaints, the behaviour of the organisation's employees towards customers and KHFC's communication system.

KHFC is actively engaged in community service activities to maintain its image as a trusted corporate citizen that spreads the "culture of unity and sharing". KHFC organised the Bogeumjari Volunteer Group in May 2006 and continues to encourage voluntary participation by all employees in such efforts. Since its establishment, KHFC has hosted, or participated in, various community service activities aligned with its organisational mandate such as provision of housing welfare and support for seniors. Such initiatives taken by KHFC include:

(a) participation in the Habitat for Humanity movement through actual participation and donations;

(b) participation in the HF Home Repair Service through volunteering in home decorating projects for the underprivileged;

(c) seasonal donations to improve living conditions for the elderly;

(d) maintaining "sisterhood" with a rural village and providing support; and

(e) supporting the Child Fund Korea to support undernourished children.

Housing Finance Steering Committee

The HFSC is the highest decision-making body of KHFC, with authority to review and make decisions on all significant issues relating to KHFC's business operations, such as establishment and amendment of KHFC's basic operational policies and business plan; amendment of KHFC's articles of incorporation; budget planning, revision and settlement; mortgage underwriting criteria; and guarantee criteria for reverse mortgages; establishment and amendment of management plans for the HFCGF (including the RMGA); and write-offs of indemnity rights.

The KHFC Act provides that the HFSC consists of six committee members, namely: (a) the President and CEO of KHFC who is appointed by the President of Korea; (b) one Government official from the FSC; (c) one Government official from the MOLIT; and (d) three individual experts in the housing finance market appointed by the FSC, of whom two are appointed at the recommendation of the MOLIT and The Bank of Korea. The term of office of commissioned members is two years.

The table below sets forth the names, affiliations and positions of the current members of the HFSC as at 31 March 2025:

Name	Affiliation	Member	Since	End of Term
Kim, Kyung Hwan	Korea Housing Finance Corporation	President and CEO	26 September 2024	25 September 2027
Kwon, Dae Young	FSC	Secretary General	10 January 2024	Not applicable
Kim, Gyu Cheol	MOLIT	Director for Housing and Land	29 January 2024	Not applicable
Kang, Myung Gu	University of Seoul	Professor of Urban Sciences	1 July 2024	30 June 2026
Park, Mi Sun	Korea Research Institute for Human Settlements	Managing Director for Housing Policy Research Center	1 July 2022	30 June 2026
Leem, Kyung	The University of Suwon	Professor of Business School	1 July 2022	30 June 2026

The HFSC holds regular meetings in February, June and December of each year, and special meetings are held from time to time as necessary upon the request of the chairman or a majority of the members.

Board of Directors

The Board of Directors is KHFC's chief executive body responsible for the management of its business operations. In this capacity, the Board of Directors exercises its powers, all as defined in, and in accordance with, its articles of incorporation. The Board of Directors of KHFC examines and makes decisions on issues such as matters requiring the review of the HFSC; matters related to the use of KHFC's reserves and carrying forward of budgets; acquisition and disposition of its general assets; plans for long-term borrowing and issuance of bonds and repayment plans; disposition of retained earnings; establishment and amendment of KHFC's internal policies; remuneration of executive

officers and directors; the rules relating to the Board of Directors' meetings and its subcommittees; and any other matter deemed necessary by the Board of Directors or the President of KHFC. The auditor of KHFC may participate in the Board of Directors' meetings.

The current board consists of the President and CEO of KHFC (as chairman of the board), the Vice President, four executive directors and seven non-executive directors. KHFC's President is appointed by the President of Korea after nomination by the Chairman of the FSC from candidates recommended by the Officer Recommendation Committee (the "**ORC**") pursuant to the Act on the Management of Public Institutions. The auditor is appointed by the President of Korea after nomination by the minister of MOEF from candidates recommended by the ORC after resolution by the Public Institutions Management Committee (the "**PIMC**"). The executive directors of KHFC are appointed directly by the President and CEO of KHFC, while non-executive directors are appointed by the FSC from candidates recommended by the ORC.

The term of office for the President and CEO is three years and for each of the directors and auditor is two years. After the initial term of office, each director may be reappointed on a year-by-year basis based on the performance reviews in accordance with applicable laws.

The Board of Directors holds regular meetings every month and extraordinary meetings are held from time to time as necessary upon the request of the chairman or at least one-third of directors.

The following table sets forth the names and positions of KHFC's current executive officers and executive directors as at 31 March 2025:

Name	Position	Director Since	End of Term
Kim, Kyung Hwan	President and CEO	26 September 2024	25 September 2027
Lee, Hwan Seok	Vice President	18 September 2023	17 September 2025
Park, Jae Min	Executive Director	21 February 2022	20 February 2024(1)
Chae, Seok	Executive Director	20 January 2025	19 January 2027
Lee, Cheol Woo	Executive Director	20 January 2025	19 January 2027
Yoo, Ho Jae	Executive Director	20 January 2025	19 January 2027
Choi, Gi Eui	Auditor	20 November 2023	19 November 2025

Note:

(1) Extension of term or appointment of a successor director has not been decided as of 15 July 2025.

Kim, Kyung Hwan is KHFC's President and has been the CEO since 2024. He is a member of KHFC's HFSC and Board of Directors. Prior to joining KHFC, he served as the professor emeritus of economics at So-Gang University.

Lee, Hwan Seok has been KHFC's Vice President since 2023. He is a member of KHFC's Board of Directors. Prior to joining KHFC, he served as Deputy Governor of Bank of Korea.

Park, Jae Min has been an executive director since 2022. He is currently the executive director in charge of the Credit Guarantee Business Group. Prior to becoming an executive director, he served as Head of Local Fiscal and Economic Policy Office and the Ministry of the Interior and Safety.

Chae, Seok has been an executive director of KHFC since 2025. He is currently in charge of the Corporate Planning & Management Group. Prior to that, he was the Director of Housing Finance Research Institute.

Lee, Cheol Woo has been an executive director of KHFC since 2025. He is currently in charge of the Securitization Business Group. Prior to that, he was the Director of Planning & Coordination Office.

Yu, Ho Jae has been an executive director of KHFC since 2025. He is currently in charge of the Business Infrastructure Group. Prior to becoming an executive director, he served as administrative Officer of Office of the Senior Secretary for Political Affairs.

Choi, Gi Eui has been the auditor of KHFC since 2023. Prior to joining KHFC, he served as CEO of KS Job Co., Ltd.

Non-Executive Directors

The following table sets forth the names and positions of KHFC's non-executive directors as at 31 March 2025:

Name	Position	Director Since	End of Term
Lee, Young Man	Non-executive director	28 February 2025	27 February 2027
Kim, Young Do	Non-executive director	12 October 2022	11 October 2024(1)
Lim, Jae Dong	Non-executive director	21 February 2023	20 February 2025(1)
Kim, Ji Woo	Non-executive director	04 September 2023	03 September 2025
Lee, Jong In	Non-executive director	04 September 2023	03 September 2025
Kim, Ik Hyun	Non-executive director	04 September 2023	03 September 2025
Lee, Dae Ki	Non-executive director	28 February 2025	27 February 2027

Note:

(1) Extension of term or appointment of a successor director has not been decided as of 15 July 2025.

Lee, Young Man has been a non-executive director since 2022. He is currently a Professor in Real Estate Asset Management at Hansung University.

Kim, Young Do has been a non-executive director since 2022. He is currently a Senior Research Fellow at Korea Institute of Finance.

Lim, Jae Dong has been a non-executive director since 2023. He is currently the general manager of the Business Support Department.

Kim, Ji Woo has been a non-executive director since 2023. He is currently the auditor of Myongji Educational Foundation.

Lee, Jong In has been a non-executive director since 2023. He was previously Director of Policy Research at Yeouido Institute.

Kim, Ik Hyun has been a non-executive director since 2023. He was previously the Vice President of Pyeongtaek Energy Service.

Lee, Dae Ki has been a non-executive director since 2025. He is currently the Senior Research Fellow of Korea Institute of Finance.

Committees of the Board of Directors

KHFC currently has the following committees that serve under its Board of Directors:

(a) the Risk Management Committee;

(b) the Special Deliberation Committee, which include the Strategy Deliberation Sub-Committee, the Operation Deliberation Sub-Committee and the Financial Deliberation Sub-Committee; and

(c) the Management Committee.

Management Committee

The Management Committee consists of the CEO, Vice-President and executive directors of KHFC and is chaired by the CEO. The committee deliberates and resolves issues relating to the amendment and abolishment of procedures (except for those of the Housing Finance Steering Committee, resolutions by the Board of Directors), issues relating to business delegation, major issues regarding securitisation, credit guarantees, reverse mortgage guarantees, implementation of guaranteed debts, suspension and special management of the exercising of indemnity rights, other matters delegated by the Housing Finance Steering Committee and the Board of Directors and miscellaneous issues as deemed necessary by the CEO.

Risk Management Committee

The Risk Management Committee currently consists of seven members: two executive directors and four non-executive directors, together with the Vice-President of KHFC. The committee is responsible for overseeing and making determinations on all issues relating to comprehensive risk management functions of KHFC. In order to ensure stable financial condition and compliance with risk management policies, the committee reviews risk and control strategies and policies, monitors KHFC's overall risk exposure compliance with various risk policies and risk limits, and establishes or amends its risk management policies.

The committee holds regular meetings every quarter and may convene extraordinary meetings if the chairman deems it necessary. The committee notifies each member of the Board of Directors of its decisions and the Board of Directors may engage in a further resolution process regarding such decisions.

For further information about the risk management at KHFC, see "*Risk Management*".

Specialised Review Subcommittees

The Specialised Review Subcommittee is a mechanism for deliberating on major items to be addressed by the Board of Directors. It has three subcommittees, namely, the Strategy Deliberation Sub-Committee, the Operation Deliberation Sub-Committee, and the Financial Deliberation Sub-Committee, whose membership consists of two or more members of the Board of Directors including at least one non-executive director appointed by the board and another board member in charge of the department which proposed the relevant agenda. The Strategy Deliberation Sub-Committee reviews major items relating to the operations of KHFC in general, such as establishment of KHFC's business plan, basic guidelines for KHFC's business operations and rules relating to the operations of the board and its subcommittees, and amendment of its articles of incorporation. The Operation Deliberation Sub-Committee reviews the establishment and operation of regulations regarding board member recommendation, sub-organisations, directives, employment, human resources, renumeration. director treatment and other items deemed necessary by the board or the sub-committee. The Financial Deliberation Sub-Committee reviews major items relating to the establishment and settlement of budgets, establishment and amendment of management plans for the HFCGF, and disposal of retained earnings.

The results of deliberations conducted by each Specialised Review Subcommittee are reported to the Board of Directors. Committee meetings of the Specialised Review Subcommittees are held from time to time as necessary.

Compensation of Executive Directors and Officers

The aggregate amount of remuneration paid and accrued to the executive directors and officers, including the auditor, as a group was Won 1.60 billion (which included bonus and incentive payments) for the year ended 31 December 2024.

SUMMARY OF THE PRINCIPAL DOCUMENTS

Bond Trust Deed

The Bond Trust Deed (as modified and/or supplemented and/or restated from time to time), made between the Issuer and the Bond Trustee on the Programme Date, is the principal agreement governing the Covered Bonds. The Bond Trust Deed contains provisions relating to, among others:

(a) the constitution of the Covered Bonds and the Conditions;

(b) the covenants of the Issuer;

(c) the enforcement procedures relating to the Covered Bonds;

(d) the appointment, powers and responsibilities of the Bond Trustee and the circumstances in which the Bond Trustee may resign or retire or be removed; and

(e) matters related to the holding of meetings of the Covered Bondholders.

The Bond Trust Deed will be governed by English law.

The Programme Deed

The Programme Deed will be entered into by the Issuer, the Swap Delegate, the Asset Monitor and the Bond Trustee on or before the Programme Date.

The Programme Deed deals, among other things, with:

(a) the appointment of the Asset Monitor and the Swap Delegate by the Bond Trustee, and the appointment by the Swap Delegate of the Asset Monitor as its attorney;

(b) the obligations of the Issuer and the Asset Monitor in relation to the designation of the Mortgage Loans included in the Cover Pool from time to time;

(c) the obligations of the Issuer and the Asset Monitor in relation to the maintenance of records relating to the Cover Pool, particularly in relation to the Mortgage Loans included therein;

(d) the obligations of the Issuer in relation to servicing and managing the Mortgage Loans included in the Cover Pool;

(e) the appointment of a Back-Up Servicer by the Issuer following a Back-Up Servicer Trigger Event;

(f) the collection and application of cashflows generated by the Cover Pool, particularly the Mortgage Loans included therein, prior to the occurrence of an Issuer Event of Default, after the occurrence of an Issuer Event of Default, and after the occurrence of a Covered Bond Event of Default or delivery of an Early Acceleration Notice (whichever earlier);

(g) the making of Eligible Investments using cashflows generated by the Mortgage Loans included in the Cover Pool;

(h) the Issuer's obligation to undertake the calculation and report results of the Asset Coverage Test and, following the occurrence of an Issuer Event of Default, the Asset Monitor's obligation to undertake the calculation and report results of the Amortisation Test;

(i) in relation Hard Bullet Covered Bonds, the Issuer's obligation to determine whether it is in compliance with the Pre-Maturity Test during the Pre-Maturity Test Period and, following the occurrence of an Issuer Event of Default, the Issuer's obligation to attempt to fulfil the Pre-Maturity Test Cure Requirement;

(j) the entry by the Swap Delegate into the Swap Agreements, the Novation Agreements and the Novated Swap Agreements on or around each relevant Issue Date and the maintenance of the Swap Agreements and the Novated Swap Agreements; and

(k) the Eligibility Criteria applicable to Mortgage Loans included in the Cover Pool, including the Representations and Warranties.

In addition, the Programme Deed provides for the resignation of the Asset Monitor and the termination of its appointment under certain circumstances, the representations and warranties and undertakings of the Asset Monitor and the remuneration of and indemnities to the Asset Monitor. It also provides certain representations and warranties and undertakings from the Issuer in relation to the issuance of each Series of Covered Bonds.

Each of these matters is described in further detail below. The Programme Deed has been prepared in the English language. It is governed by English law and stipulates the courts of England as the forum in which disputes arising under it will be settled.

The Appointment of the Asset Monitor

Under the Programme Deed, the Bond Trustee will appoint the Asset Monitor to provide the various services described in the Programme Deed. Such services are to be provided for the benefit of the Covered Bondholders and not for its own benefit or the benefit of the Issuer.

The services that the Asset Monitor is required to provide are those specifically described in the Programme Deed and such other services as are reasonably necessary for or incidental to the due performance of such services. Save for matters falling into either of these categories, the Asset Monitor will not be required to provide any other services.

The appointment of the Asset Monitor under the Programme Deed will continue until the resignation of the Asset Monitor or the termination of its appointment under certain circumstances. For such a resignation or termination of appointment to be effective, a substitute asset monitor will have to be appointed to replace the Asset Monitor.

The Appointment of the Swap Delegate

Under the Programme Deed, the Bond Trustee will appoint the Swap Delegate to enter into the Novation Agreements, the Novated Swap Agreements, the Collateral Agreements, the Collateral Account Custodian Bank Agreements and the Deeds of Charge and Assignment with the Swap Providers (and fully perform its obligations thereunder), to enter into any replacement agreement in respect of any such agreement with any Substitute Swap Provider (and fully perform its obligations thereunder), and to provide the various services described in the Programme Deed. Such services are to be provided for the benefit of the Bond Trustee and the Covered Bondholders and not for its own benefit or the benefit of the Issuer.

The services that the Swap Delegate is required to provide are those specifically described in the Programme Deed and such other services as are reasonably necessary for or incidental to the due performance of such services. Save for matters falling into either of these categories, the Swap Delegate will not be required to provide any other services.

The appointment of the Swap Delegate under the Programme Deed will continue notwithstanding the occurrence of any Issuer Event of Default or any Insolvency Event in respect of the Issuer.

The Swap Delegate will appoint the Asset Monitor as its attorney, in connection with the delegation to itself by the Bond Trustee or any successor Bond Trustee, to exercise all rights of the Swap Delegate and to perform all obligations and do all acts required of the Swap Delegate under the Programme Deed and the other agreements to which it is a party (including any new agreement with any Substitute Swap Provider on behalf of the Swap Delegate), and the Asset Monitor will agree to perform all obligations and do all acts that are specifically described as being required of the Swap Delegate under the Programme Deed and other Transaction Documents to which the Swap Delegate is a party. Such appointment may not be terminated without the prior written consent of the Bond Trustee.

The Designation of the Cover Pool and Maintenance of Records

As described in this Offering Circular, in order to achieve the protections accorded by the KHFC Act in relation to the Cover Pool and to ensure that the assets constituting the Cover Pool are available for the benefit of the Covered Bondholders, and not the generality of the Issuer's creditors, it is necessary that these assets are "separately managed" from the other assets of the Issuer (the "**Separate Management Requirement**"). The Issuer will manage the Mortgage Loans in accordance with a "securitisation plan" (the "**Securitisation Plan**") which will be registered with the FSC in respect of each issuance of Covered Bonds pursuant to the terms of the KHFC Act. In respect of the initial Series of Covered Bonds, the Issuer will register the Securitisation Plan with the FSC in accordance with the KHFC Act on or before the Issue Date of such Series of Covered Bonds.

In respect of any further Series or Tranche of Covered Bonds, the Issuer has agreed to deliver to the Asset Monitor and the Bond Trustee evidence (with copies provided to each Rating Agency in a timely manner) satisfactory to the Asset Monitor and the Bond Trustee of the amendment or supplement to the Securitisation Plan in connection with such further Series or Tranche at the time and in the manner required by the FSC (which, as of the date of the Programme Deed, may be done by way of an annual update of the Securitisation Plan in respect of all the Series and/or Tranches of Covered Bonds to be issued in the forthcoming year), such evidence to be delivered within five Seoul Business Days of the filing of such amendment or supplement with the FSC.

The Issuer will effect any proposed addition, substitution or withdrawal of any assets in the Cover Pool, any proposed addition or removal of any bank account or securities account, or any proposed addition or removal of any Swap by filing the required amendment to the Securitisation Plan in accordance with the KHFC Act, and will notify the Asset Monitor of such registration or deregistration of the relevant asset(s).

One aspect of this requirement is designating, in a clear manner, the assets constituting the Cover Pool. In relation to this requirement, the Issuer will be required, under the Programme Deed, to identify the records of the Mortgage Loans which are to be included in the Cover Pool and to maintain a listing (described in the Programme Deed as the "**Cover Pool Listing**") of such Mortgage Loans.

In addition, the Issuer will be required, under the Programme Deed, to maintain records relating to the assets included in the Cover Pool in a manner which is separate from records relating to its other assets, in particular in relation to the relevant Mortgage Loans.

The Issuer will ensure that no cash or assets are removed from the Cover Pool except under certain circumstances, which includes, among other things, making Eligible Investment by the Issuer or Authorised Investment by the Bond Trustee, application in accordance with the Priority of Payments, disposal by the Asset Monitor following an Issuer Event of Default, in each case in accordance with the Programme Deed.

Servicing

The Mortgage Loans included in the Cover Pool are, as indicated elsewhere in this Offering Circular, assets owned by the Issuer. Accordingly, under the Programme Deed, the Issuer will undertake an obligation to manage or "service" them. In this context, servicing has four key elements:

(a) collecting amounts due from the Borrowers of the relevant Mortgage Loans. This involves monitoring the payment (and non-payment) of amounts due in respect of such Mortgage Loans and setting up collection procedures so that such amounts can be collected on a timely basis, either directly or indirectly through the Participating Banks;

(b) considering and responding to requests for amendments, waivers or consents required by the Borrowers in relation to such Mortgage Loans;

(c) taking enforcement action in respect of the Borrowers of such Mortgage Loans in the event that there is a default in respect of them. Such enforcement action will include court action, if necessary, to enforce the rights of the Issuer as a secured creditor; and

(d) collecting and maintaining information about the Mortgage Loans such that periodic reporting in relation to the issuance of any of the Covered Bonds can be undertaken, such periodic reporting itself being provided for in the Programme Deed.

Under the Programme Deed, the Issuer is obliged to service the Mortgage Loans included in the Cover Pool and, in particular, to provide the key services described above.

In discharging this obligation, the Issuer is required to adhere to certain standards. The Issuer is required to service the Mortgage Loans to a standard which is the higher of:

(i) the manner in which the Issuer services or procures the servicing of mortgage loans belonging to it which are not included in the Cover Pool; and

(ii) the manner in which a reasonable owner of mortgage loans similar in type to the Mortgage Loans included in the Cover Pool would service them.

Further, in order to be consistent with the Separate Management Requirement, the Issuer will be required to manage the Mortgage Loans included in the Cover Pool in a manner which is separate from other mortgage loans owned by it.

The Issuer will be entitled, under the terms of the Programme Deed, to delegate the performance of its servicing obligations to the Participating Banks that have originated the relevant Mortgage Loans or through other third parties, in each case to be designated as a "Servicer" under the Programme Deed. In doing so, the Issuer must enter into and maintain in force an Approved Servicing Agreement with each relevant Participating Bank. However, the Programme Deed is explicit in stipulating that notwithstanding the appointment of a Participating Bank or other third party to carry out the servicing of a Mortgage Loan included in the Cover Pool, the ultimate responsibility for doing so rests with the Issuer and the Issuer shall enforce the obligations of the Participating Banks or other third parties under their respective Approved Servicing Agreements. Further, under the terms of the Programme Deed, the Issuer is precluded from making any amendments to the Approved Servicing Agreements which would have a material adverse effect on its ability to make payments in respect of the Covered Bonds except in certain limited circumstances.

The Programme Deed provides that a Back-Up Servicer with experience in the provision of similar services as those provided by the Issuer and holding all appropriate licences and authorisations, will be appointed (i) by the Issuer pursuant to the Programme Deed within 90 days of the occurrence of a Back-Up Servicer Trigger Event caused by a ratings downgrade of the Issuer, or (ii) by the Asset Monitor as soon as possible following a Back-Up Servicer Trigger Event caused by an Issuer Event of Default or if the Issuer is unable to appoint a Back-Up Servicer within 90 days. The Issuer will enter into a Back-Up Servicing Agreement substantially in the form scheduled to the Programme Deed with the Back-Up Servicer and the Back-Up Servicer will accede to the Programme Deed.

Managing the Mortgage Loans

Under the Programme Deed the Asset Monitor may, unless directed in writing by the Bond Trustee, following an Issuer Event of Default dispose of the Mortgage Loans (through the appointment of an expert) in order for the Issuer to be able to meet its payment obligations under the Covered Bonds.

Additionally, prior to an Issuer Event of Default, the Issuer may include additional Mortgage Loans or remove Mortgage Loans from the Cover Pool subject in each case to the terms of the Programme Deed.

The Collection and Application of Cashflow

As a part of the servicing of the Mortgage Loans included in the Cover Pool, the Issuer, under the Programme Deed, will be required to undertake the collection of cashflows generated by the Cover Pool and its application in a regulated manner, in order to meet certain obligations of the Issuer.

With respect to collection of such cashflow, the critical requirement imposed by the Programme Deed will be the collection of funds from the Borrowers of the relevant Mortgage Loans into a bank account in the name of the Issuer (the "**Collection Account**") held with KEB Hana Bank as the Collection Account Bank prior to an Issuer Event of Default. Following an Issuer Event of Default, KEB Hana Bank will be replaced by a substitute account bank, subject to the satisfaction of certain conditions.

The Collection Account will only be used for collecting the cashflows generated, directly or indirectly, by the Mortgage Loans included in the Cover Pool and related Eligible Investments and for no other purpose. The process of segregating the cashflows generated by the relevant Mortgage Loans and Eligible Investments in this way is consistent with the Separate Management Requirement. The collection of such cashflows may happen directly (from the Borrowers of the relevant Mortgage Loans) or indirectly (through the Participating Banks, who collect them from such Borrowers).

With respect to the application of cashflows once collected, the Programme Deed will provide for its application in three different ways:

(a) **prior to the occurrence of an Issuer Event of Default**: in this scenario, the Issuer may freely utilise all Interest Collections and Excess Principal Collections in the Collection Account on any day (a "**Daily Cash Release**"), provided that: (i) the Asset Coverage Test as of the immediately preceding Calculation Date has been satisfied, provided that the Asset Coverage Test will be deemed to have been satisfied from and including the Programme Date to and excluding the Calculation Date immediately following the first Issue Date under the Programme and this proviso (i) will not apply where no Covered Bonds are issued and remain outstanding at the time of withdrawal; (ii) that the balance of the Reserve Ledger of the Reserve Cash Account is at least equal to the Reserve Account Target Balance on such day (if a Reserve Account Funding Event has occurred (as described in "*Credit Structure—Reserve Cash Account*")); (iii) the Pre-Maturity Test Cure Requirement (as described in the section entitled "*—Pre-Maturity Liquidity*" below) (if applicable) is satisfied; and (iv) all advance payments owed to the Swap Providers under the Swap Agreements have been paid when due. The Issuer may satisfy its various payment obligations in respect of the Covered Bonds of any Series from any resources that it has available to it, not only the cashflows generated by the Mortgage Loans included in the Cover Pool;

(b) following the occurrence of an Issuer Event of Default, but prior to the occurrence of a Covered Bond Event of Default or delivery of an Early Acceleration Notice: in this scenario, cashflows received into the Collection Account and the Accumulation Accounts are applied by the Asset Monitor to meet both specific expenses relating to the issuance of any Series of Covered Bonds and scheduled payment of interest and repayments of principal of the Covered Bonds. The relevant application of cashflows in this scenario is described under "*Cashflows*". Such application of cashflows is undertaken by the Asset Monitor rather than the Issuer, since following the occurrence of an Issuer Event of Default, control of the Collection Account is exercised solely by the Asset Monitor, as provided for in both the Programme Deed and the Bank Account Mandate; and

(c) **following the occurrence of a Covered Bond Event of Default or delivery of an Early Acceleration Notice (whichever earlier)**: in this scenario, the Covered Bonds will be accelerated pursuant to Condition 9.2 of the Conditions and cashflows received into the Collection Account

and the Accumulation Accounts are applied by the Asset Monitor to meet specified expenses relating to the issuance of any Series of Covered Bonds and payment of interest and repayment of principal of the Covered Bonds.

The application by the Asset Monitor of collections on the Mortgage Loans following an Issuer Event of Default and following a Covered Bond Event of Default or delivery of an Early Acceleration Notice is set forth under "*Cashflows*".

The Reserve Cash Account will be opened by the Issuer on the Programme Date but the Issuer will not be required to fund (i) the Reserve Ledger of the Reserve Cash Account in an amount equal to the Reserve Account Target Balance unless, prior to an Issuer Event of Default, a Reserve Account Funding Event occurs, or (ii) the Pre-Maturity Liquidity Ledger of the Reserve Cash Account amounts which are acquired from the Daily Cash Release for the purpose of meeting the Pre-Maturity Test Cure Requirement unless, prior to an Issuer Event of Default, there is a failure of the Pre-Maturity Test in respect of any Securities of Hard Bullet Covered Bonds. The Reserve Securities Account will be opened and maintained by the Issuer for deposit of Pre-Maturity Liquidity Assets other than cash and which have been acquired using the Daily Cash Release, and/or the PMT Cash Account and/or the PMT Securities Account will be opened and maintained by the PMT Trustee appointed by the Issuer for deposit of cash and/or securities (as applicable) which have been acquired other than from the Daily Cash Release, in each case, for the purpose of meeting the Pre-Maturity Test Cure Requirement following a failure of the Pre-Maturity Test in respect of any Securities of Hard Bullet Covered Bonds. See "*Credit Structure—Reserve Cash Account*", "*—Reserve Securities Account*", and "*—PMT Cash Account and PMT Securities Account*".

Certain other bank accounts including the Accumulation Accounts will be opened in the name of the Issuer after the occurrence of an Issuer Event of Default, which will be used for controlling certain cashflows generated by the Mortgage Loans. Such bank accounts will be controlled by the Asset Monitor.

The Designated FX Account will be opened by the Issuer on or prior to the Programme Date. Any amounts paid into the Designated FX Account will be used to pay the obligations of the Issuer payable in any currency other than Won. Further, this bank account will be used to collect payments made by the Swap Providers to the Issuer or the Swap Delegate, as the case may be, under the Swap Agreements or the Novated Swap Agreements.

Eligible Investments

It is expected that from time to time there will be positive cash balances held in the Collection Account and in the other bank accounts held in the name of the Issuer which are permitted under the Programme Deed and are used to retain cashflows generated by the Mortgage Loans included in the Cover Pool, as described above. In order to ensure that such amounts generate an investment return, the Issuer (prior to the occurrence of an Issuer Event of Default) and the Asset Monitor (following the occurrence of an Issuer Event of Default) will be entitled to invest such cash amounts in certain types of Eligible Investments, being cash backed deposits that satisfy certain criteria.

Eligible Investments are (i) Korea Treasury Bonds with ratings (A) the higher of (1) the long-term or short-term foreign currency issuer credit rating of the Issuer, and (2) a long-term foreign currency

issuer credit rating of "AA-" or higher by S&P or a short-term foreign currency issuer credit rating of at least "A-1+" by S&P and (B) the long-term issuer or senior unsecured rating of at least "A3" by Moody's; (ii) Won-denominated overnight or term deposits made with KEB Hana Bank, with (A) a long-term foreign currency issuer credit rating of "BBB" or higher by S&P and (B) a long-term bank deposit rating of "Baa1" or higher by Moody's; (iii) Won-denominated overnight or term deposits not made with KEB Hana Bank maturing 60 days or less, with (A) a short-term foreign currency issuer credit rating of "A-1" or higher by S&P and (B) a long-term bank deposit rating of "Baa1" or higher by Moody's; or (iv) Won-denominated overnight or term deposits not made with KEB Hana Bank maturing greater than 60 days, (A) a short-term issuer credit rating of at least "A-1+" by S&P and (B) a long-term bank deposit rating of "Baa1" or higher by Moody's; *provided that*:

(a) Korea Treasury Bonds and deposits shall not be an Eligible Investment if it evidences the right to receive interest only;

(b) all Korea Treasury Bonds and deposits shall mature at least two Business Days prior to the following Interest Payment Date and, if no Covered Bonds of any Series are outstanding, shall mature in not more than 365 days; and

(c) the amount of any deposit redeemable on maturity or early termination must be at least equal to the original deposit amount and the amount of the bonds redeemable on maturity or early termination must be at least equal to its face value.

Asset Coverage Test

Under the terms of the Programme Deed, for so long as any Covered Bonds are issued and remain outstanding, the Issuer (prior to the earlier of (i) the service of an Issuer Default Notice, and (ii) the Calculation Date from which the Amortisation Test is required to be satisfied) must ensure that on each Calculation Date the Adjusted Aggregate Loan Amount is at least equal to the Won Equivalent of the aggregate Principal Amount Outstanding of all the Covered Bonds as calculated on the relevant Calculation Date (the "**Asset Coverage Test**"). For purposes of determining compliance with the Asset Coverage Test on each Calculation Date, the current balance of each Mortgage Loan will be the outstanding principal balance of such Mortgage Loan as of the end of the related Calculation Period. If on any Calculation Date, the Adjusted Aggregate Loan Amount is less than the Won Equivalent of the Principal Amount Outstanding of all the Covered Bonds, as calculated on the relevant Calculation Date, then the Issuer will notify the Asset Monitor and the Bond Trustee. Subject to the following sentence, non-compliance with the Asset Coverage Test does not constitute an Issuer Event of Default or a Covered Bond Event of Default, but the Issuer will not issue any further Covered Bonds under the Programme and no Daily Cash Release will be permitted in accordance with the section entitled "*—The Collection and Application of Cashflow—prior to the occurrence of an Issuer Event of Default*" above until such breach has been remedied. An Issuer Event of Default will occur if the Asset Coverage Test is breached and not cured by the second occurring Calculation Date.

In addition, the Asset Coverage Test must be satisfied on any date on which the Issuer removes Mortgage Loans from the Cover Pool and such tests must continue to be satisfied after taking account of the removal of the Mortgage Loans.

For the purposes of calculating the Asset Coverage Test:

"**Adjusted Aggregate Loan Amount**" means the amount calculated on each Calculation Date as follows:

A + B + C – Z

where

A = the product of:

(i) the Asset Percentage; and

(ii) aggregate "**Arrears Adjusted Current Balance**" of the Mortgage Loans in the Cover Pool as at the relevant Calculation Date, which shall be the lower of (a) the actual current balance of each Mortgage Loan in the Cover Pool at the end of the related Calculation Period multiplied by N, and (b) the Indexed Valuation relating to that Mortgage Loan multiplied by 70%,

where N =

(a) 1 for all Mortgage Loans that are less than three months in arrears or not in arrears;

(b) 0.7 for all Mortgage Loans that are three months or more in arrears but less than six months in arrears; and

(c) 0 for all Mortgage Loans that are six months or more in arrears or defaulted.

minus

the sum of the following deemed reductions to the aggregate Arrears Adjusted Current Balance of the Mortgage Loans in the Cover Pool resulting from the occurrence of any of the following occurred during the related Calculation Period:

(i) a Mortgage Loan was, in the related Calculation Period, in breach of the Representations and Warranties contained in the Programme Deed. In this event, the aggregate Arrears Adjusted Current Balance of the Mortgage Loans in the Cover Pool (as calculated on the relevant Calculation Date) will be deemed to be reduced by an amount equal to the Arrears Adjusted Current Balance of the relevant Mortgage Loan or Mortgage Loans (as calculated on the relevant Calculation Date);

and/or

(ii) the Issuer, in any Calculation Period, was in breach of any other material warranty under, or material term of, the Programme Deed. In this event, the aggregate Arrears Adjusted Current Balance of the Mortgage Loans in the Cover Pool (as calculated on the relevant Calculation Date) will be deemed to be reduced by an amount equal to the resulting financial loss, if any, attributable to the Cover Pool in the related Calculation Period as a result of such breach;

B = the aggregate amount of any Principal Collections on the Mortgage Loans in the Collection Account and recorded on the ledger in respect of the Principal Collections at the end of the related Calculation Period;

C = the sum of (i) the aggregate value outstanding under all Eligible Investments (if applicable, multiplied by the valuation percentage applicable to each such Eligible Investment being the percentage figures that are necessary to ensure that the Covered Bonds maintain the then-current ratings assigned to them by S&P and Moody's, provided that the applicable valuation percentage shall in no circumstances be greater than 100%); and (ii) the Pre-Maturity Liquidity Assets Value as at the relevant Calculation Date;

Z = the Negative Carry Factor multiplied by the aggregate of B, C and the Arrears Adjusted Current Balance.

"**Negative Carry Factor**" means:

(i) (A) if the long-term senior unsecured foreign currency rating of the Issuer is "A" or above by S&P; and (B) the long-term senior unsecured foreign currency rating of the Issuer is "A3" or above by Moody's, 0; and

(ii) (A) if the long-term senior unsecured foreign currency rating of the Issuer falls below "A" by S&P; or (B) the long-term senior unsecured foreign currency rating of the Issuer falls below "A3" by Moody's, 1.00% x T;

"**T**" means the weighted average remaining maturity of the Covered Bonds in years (rounded to the nearest hundredth of one year).

"**Asset Percentage**" means the lowest of:

(i) such percentage figure determined by the Issuer on the relevant Calculation Date, being the percentage figure that is necessary to ensure that the Covered Bonds maintain the then-current ratings assigned to them by S&P; and

(ii) such percentage figure (1) as may be determined from time to time by the Issuer and notified in writing to Moody's and the Asset Monitor on such Calculation Date, or (2) where the Issuer has not notified Moody's and the Asset Monitor in writing of the minimum percentage figure on the relevant Calculation Date, on the last date of such notification, and such percentage figure in (1) or (2) being in each case the difference between 100% and the amount of credit enhancement required to support the then-current ratings of the Covered Bonds under Moody's expected loss methodology, provided that for as long as any Covered Bonds remain outstanding whose ratings have been downgraded by Moody's at any point since their relevant original Issue Date, the Asset Percentage shall not be greater than the higher of (a) the Asset Percentage last notified to Moody's and the Asset Monitor in writing by the Issuer prior to the first such downgrade, or (b) the lowest value for (X) in respect of each downgrade where (X) in respect of each such downgrade is equal to the respective Attributed Moody's Asset Percentage specified in the relevant Pool Report most recently delivered prior to such downgrade,

provided that there is no obligation on the Issuer to maintain a rating by the S&P and/or Moody's and the Issuer is under no obligation to change the percentage figure determined by it and notified by it in writing to S&P and/or Moody's, in line with the level of credit enhancement required to ensure a rating is maintained by S&P and/or Moody's.

"**Attributed Moody's Asset Percentage**" means the percentage figure for Moody's as set out in each Pool Report which notwithstanding the percentage figure that may be selected by the Issuer from time to time and notified in writing to the Asset Monitor and Moody's, is the percentage figure as at each Calculation Date, which is the difference between 100% and the amount of credit enhancement required to support the then-current ratings of the Covered Bonds under Moody's expected loss methodology.

"**Calculation Date**" means the 15th day of each Calculation Period except that the Calculation Date in respect of the first Calculation Period if such Calculation Period is shorter than 15 days, shall be the last day of the first Calculation Period, provided further that if such date is not a Business Day, the immediately preceding Business Day in that Calculation Period if there is one or the immediately succeeding Business Day if there is not.

"**Calculation Period**" means, in respect of any Calculation Date, the period from, and including, the first day or each month to, and including, the last day of the month most recently ended except that the first Calculation Period means the period from and including the Programme Date to and including the last day of the month in which the Programme Date falls.

"**Indexed Valuation**" means, for the purpose of determining compliance with the Asset Coverage Test on each Calculation Date, the indexed valuation then in force as determined by the Issuer or (as the case may be) the Asset Monitor, on the last day of the financial quarter immediately preceding the relevant Calculation Date, by reference to:

(a) for apartments, (i) KB Market Prices, or (ii) the valuation published by Korea Appraisal Board (if no valuation from KB Market Prices is available), or (iii) KB Index (if KB Market Prices and the valuation from Korea Appraisal Board are not available); and

(b) for any other properties, KB Index.

"**KB Index**" means KB Housing Purchase Price Index as published by KB Kookmin Bank.

"**KB Market Prices**" means the market prices of properties in Korea as published by KB Kookmin Bank.

The Asset Monitor will undertake a periodic verification of the calculation of the Asset Coverage Test undertaken by the Issuer. The frequency of the Asset Monitor's verification of the Asset Coverage Test depends upon the circumstances prevailing from time to time. In ordinary circumstances, the Asset Monitor is only required to perform these tests on an annual basis.

The frequency of the Asset Monitor's involvement will change upon the occurrence of certain events described in the Programme Deed as "Verification Events". The two such events will be:

(a) (i) the long-term senior unsecured foreign currency rating of the Issuer's debt being rated below "BBB-" by S&P or the rating is withdrawn by S&P; or (ii) long-term senior unsecured foreign

currency rating of the Issuer's debt being rated below "Baa3" by Moody's or the rating is withdrawn by Moody's (each, a "**Rating Downgrade Event**"); and

(b) a material inaccuracy occurring in the performance of the Asset Coverage Test by the Issuer. There are two forms of inaccuracy that will be specifically contemplated in the Programme Deed:

(i) if the Asset Coverage Test had actually been failed when the Issuer had calculated that it had been satisfied; and

(ii) the reported Adjusted Aggregate Loan Amount as determined for the purpose of calculating the Asset Coverage Test was misstated by the Issuer by an amount exceeding 1% of the Adjusted Aggregate Loan Amount on the relevant Calculation Date, as determined by the Asset Monitor.

The occurrence of either of these Verification Events will cause the Asset Monitor to undertake a verification of the Issuer's calculation of the Asset Coverage Test on a monthly basis (in the case of a Rating Downgrade Event) until the Rating Downgrade Event is cured, or (in the case of a material inaccuracy) for a six-month period.

If during such a six-month period calculations of the Asset Coverage Test continue to contain material inaccuracies, then the six-month period will be deemed to have started from the occurrence of the later error. Thus, the six-month period will always run from the date of the most recent error.

While the Asset Monitor will conduct the required verification, it is dependent in so doing on the accuracy of the information provided to it by the Issuer. Further, the Asset Monitor will not undertake any verification following the occurrence of an Issuer Event of Default since, at that stage, the Asset Monitor will conduct the Amortisation Test described in the section below.

Amortisation Test

For so long as any Covered Bonds are issued and remain outstanding, the Issuer will procure that, as of each Calculation Date following the service of an Issuer Default Notice (but prior to the service of an Early Acceleration Notice on the Issuer), the Amortisation Test Adjusted Aggregate Loan Amount (as defined below) will be in an amount at least equal to the Won Equivalent of the aggregate Principal Amount Outstanding of all the Covered Bonds (the "**Amortisation Test**").

The Asset Monitor is required to calculate the Amortisation Test Adjusted Aggregate Loan Amount (as of each Calculation Date) on or prior to each Calculation Date following the service of an Issuer Default Notice (but prior to the service of an Early Acceleration Notice on the Issuer).

The "**Amortisation Test Adjusted Aggregate Loan Amount**" will be calculated as at each Calculation Date as follows:

A+B+C

Where:

"A" means the aggregate of the following in respect of each Mortgage Loan:

a. the actual current balance of each Mortgage Loan in the Cover Pool at the end of the related Calculation Period; multiplied by

b. N.

"N", "B" and "C" each has the meaning given to it in the section entitled "*—Asset Coverage Test*" above.

If, on any Calculation Date following the service of an Issuer Default Notice, the Amortisation Test Adjusted Aggregate Loan Amount is less than the Won Equivalent of the aggregate Principal Amount Outstanding of all the Covered Bonds as calculated as of the Calculation Date immediately preceding that Calculation Date, then the Amortisation Test will be deemed to be breached and, if the Issuer fails to bring the Cover Pool into compliance with the Amortisation Test within 30 days of such breach, a Covered Bond Event of Default under **Condition 9.2(a)** will occur. The Asset Monitor will immediately notify the Issuer, the Rating Agencies and the Bond Trustee in writing of any such breach of the Amortisation Test, and the Bond Trustee will be entitled to serve an Early Acceleration Notice on the Issuer in accordance with the Conditions. The results of each Amortisation Test will be included in the Pool Report.

Pre-Maturity Liquidity

The following applies if Hard Bullet Covered Bonds, specified as such in the Pricing Supplement, have been issued and remain outstanding.

On each Seoul Business Day (each a "**Pre-Maturity Test Date**") during the period starting from, but excluding, 12 months prior to the Maturity Date of a Series of Hard Bullet Covered Bonds and ending on, and including, such Maturity Date (the relevant "**Pre-Maturity Test Period**"), the Issuer will determine whether it is in compliance with the Pre-Maturity Test in respect of the relevant Series of Hard Bullet Covered Bonds. If it is not, the Issuer will immediately notify the Rating Agencies, the Asset Monitor and the Bond Trustee in writing thereof.

The Issuer will fail and be in breach of the "**Pre-Maturity Test**" in relation to a Series of Hard Bullet Covered Bonds on a Pre-Maturity Test Date if the Issuer ceases to have the applicable Approved Ratings from one or both Rating Agencies.

Following a failure of the Pre-Maturity Test in respect of any Series of Hard Bullet Covered Bonds but prior to the occurrence of an Issuer Event of Default (and only for so long as the Issuer is in breach of the Pre-Maturity Test), the Issuer will as soon as practicable (i) deposit any Eligible Liquid Asset which is a Daily Cash Release or which has been acquired using the Daily Cash Release to the Pre-Maturity Liquidity Ledger of the Reserve Cash Account and/or of the Reserve Securities Account (which, for the avoidance of doubt, shall constitute Pre-Maturity Liquidity Assets), with the intention that the aggregate Pre-Maturity Liquidity Assets Value on each relevant Pre-Maturity Test Date will at

least be equal to the Won Equivalent of the Required Redemption Amount for all Series of Hard Bullet Covered Bonds which are scheduled to mature within 12 months of such Pre-Maturity Test Date (the "**Pre-Maturity Test Cure Requirement**"), and (ii) if the Issuer continues to be unable to meet the Pre-Maturity Test Cure Requirement, procure the PMT Trustee to open and maintain the PMT Cash Account with the PMT Account Bank or the PMT Reserve Securities Account with the Securities Depositary or Euroclear in accordance with the section entitled "*Credit Structure—PMT Cash Account and PMT Securities Account*" below, to the extent such account (as applicable) has not already been opened, to enable the Issuer to be able to add any relevant Pre-Maturity Liquidity Assets before the required time as set out below, and add any Eligible Liquid Asset which has been acquired other than using the Daily Cash Release to the PMT Cash Account and/or the PMT Securities Account (as applicable) (which, for the avoidance of doubt, shall constitute Pre-Maturity Liquidity Assets), with the intention to meet the Pre-Maturity Test Cure Requirement.

Prior to the occurrence of an Issuer Event of Default, any Pre-Maturity Liquidity Assets added to the Pre-Maturity Liquidity Ledger of the Reserve Cash Account and/or of the Reserve Securities Account, the PMT Cash Account and/or the PMT Securities Account may be liquidated and applied by the Asset Monitor towards redemption of the relevant Series of Hard Bullet Covered Bonds on their Maturity Date. Upon occurrence of an Issuer Event of Default, any Pre-Maturity Liquidity Assets added to the PMT Cash Account, PMT Securities Account, and/or to the Pre-Maturity Liquidity Ledger of the Reserve Cash Account and/or of the Reserve Securities Account shall be applied in accordance with the Programme Deed. See "*Cashflows*".

Upon the Issuer satisfying the Pre-Maturity Test Cure Requirement, the Issuer will be entitled to withdraw (but only to the extent that such amounts exceed the amount required to satisfy the Pre-Maturity Test Cure Requirement) from the PMT Cash Account and/or the PMT Securities Account, each in accordance with the PMT Trust Agreement and/or from the Pre-Maturity Liquidity Ledger of the Reserve Cash Account and/or of the Reserve Securities Account, provided that such withdrawal will not cause the Issuer to breach any of its other covenants under the Programme Deed.

If the Pre-Maturity Test in respect of any Series of Hard Bullet Covered Bonds is breached during the Pre-Maturity Test Period of such Series of Hard Bullet Covered Bonds and the Issuer either (A) fails to open the PMT Cash Account in accordance with the section entitled "*Credit Structure—PMT Cash Account and PMT Securities Account*" or the PMT Securities Account in accordance with the section entitled "*Credit Structure—PMT Cash Account and PMT Securities Account*" or (B) does not add Pre-Maturity Liquidity Assets to the PMT Cash Account, the PMT Securities Account and/or the Pre-Maturity Liquidity Ledger of the Reserve Cash Account and/or of the Reserve Securities Account with a Pre-Maturity Liquidity Assets Value at least equal to the Won Equivalent of the Series Required Redemption Amount, in each case, on or before the earlier of (i) 20 Seoul Business Days following such failure of the Pre-Maturity Test, and (ii) the Maturity Date of such Series of Hard Bullet Covered Bonds (such earlier date, the "**Series Required Redemption Amount Cut-off Date**"), an Issuer Event of Default under Condition 9.1 will occur, provided that there will be no Issuer Event of Default if the Pre-Maturity Test Cure Requirement is satisfied in respect of all Series of Hard Bullet Covered Bonds which are scheduled to mature within 12 months of such Pre-Maturity Test Date on or prior to the Series Required Redemption Amount Cut-off Date.

In relation to each Series of Hard Bullet Covered Bonds in respect of which either (i) the Issuer has taken the action required as described in the immediately preceding paragraph, or (ii) the proviso in the

immediately preceding paragraph applies (so that no Issuer Event of Default has occurred as described in the preceding paragraph in respect of each such Series) (each, a "**PMT Ongoing Test Series**"), the Issuer will on each PMT Shortfall Valuation Date determine the PMT Shortfall Amount in respect of such PMT Shortfall Valuation Date and will add Pre-Maturity Liquidity Assets to the Pre-Maturity Liquidity Ledger of the Reserve Cash Account and/or of the Reserve Securities Account, the PMT Cash Account and/or of the PMT Securities Account with a Pre-Maturity Liquidity Assets Value at least equal to the PMT Shortfall Amount on or before the immediately succeeding PMT Shortfall Valuation Date, and if it fails to do so, an Issuer Event of Default under Condition 9.1 will occur, provided that there will be no Issuer Event of Default if the Pre-Maturity Test Cure Requirement is satisfied on any Pre-Maturity Test Date during the period from the date of determination of such PMT Shortfall Amount to (and including) such immediately succeeding PMT Shortfall Valuation Date.

The failure by the Issuer to pay the full amount due in respect of a Series of Hard Bullet Covered Bonds on the Maturity Date thereof (subject to applicable cure periods) will constitute, first, an Issuer Event of Default and subsequently (after the applicable further cure period, if not remedied) a Covered Bond Event of Default and the Issuer will immediately notify the Bond Trustee, the Account Banks, the Asset Monitor and the Rating Agencies in writing of such Issuer Event of Default and Covered Bond Event of Default.

The Back-Up Servicing Agreement

The Back-Up Servicing Agreement will be entered into between the Issuer and the Back-Up Servicer, among others, following the occurrence of a Back-Up Servicer Trigger Event or in any event as soon as possible following an Issuer Event of Default in accordance with the Programme Deed.

The Back-Up Servicing Agreement will involve the appointment by the Issuer of the Back-Up Servicer to provide, among other things, the servicing function in relation to the Mortgage Loans included in the Cover Pool after the occurrence of an Issuer Event of Default, after which the Issuer will not provide such services. The appointment of the Back-Up Servicer shall continue until the redemption in full of the Covered Bonds, unless it resigns or its appointment is terminated earlier in accordance with the Back-Up Servicing Agreement.

The Back-Up Servicing Agreement will require that the Issuer delivers or makes available to the Back-Up Servicer all of the documents, files and records maintained by the Issuer relating to the Mortgage Loans included in the Cover Pool and will provide such other assistance as the Back-Up Servicer may reasonably require in order to provide the necessary service upon the occurrence of an Issuer Event of Default.

The Back-Up Servicer will be required, following the occurrence of an Issuer Event of Default, to provide the services provided by the Issuer in relation to:

(a) the identification of the Mortgage Loans included within the Cover Pool;

(b) the maintenance of the records relating to such Mortgage Loans; and

(c) the provision of any servicing function in relation to such Mortgage Loans,

each as contemplated in the Programme Deed as being provided by the Issuer prior to an Issuer Event of Default.

In relation to the provision of any servicing function, the Back-Up Servicing Agreement will require that the Back-Up Servicer:

(a) arranges for the collection of amounts due in respect of the Mortgage Loans included in the Cover Pool and identifying non-payments;

(b) following the occurrence of an Issuer Event of Default, serves notices on the obligors of the KHFC Serviced Mortgage Loans requiring them, following the service of such notice, to make payments due under such loans into the Collection Account;

(c) arranges for enforcement action in relation to such Mortgage Loans in the event of the occurrence of a default;

(d) arranges for amendments, waivers and consents in respect of such Mortgage Loans; and

(e) arranges for obtaining information so that reporting in relation to the Cover Pool can be adequately carried out,

each in accordance with the requirements specified in the Programme Deed.

In discharging its functions the Back-Up Servicer will be required to operate to the standard of a reasonable owner of mortgage loans of a similar type to the Mortgage Loans that are in the Cover Pool.

The Back-Up Servicing Agreement will also provide for the resignation of the Back-Up Servicer and the termination of its appointment under certain circumstances, representations and warranties and undertakings of the Back-Up Servicer and the remuneration of and indemnities to the Back-Up Servicer.

The Back-Up Servicing Agreement will be written in the English language, and will be governed under English law and stipulates the courts of England as the forum in which disputes arising under it will be settled.

The Bank Account Mandate

The Bank Account Mandate, which will be entered into on the Programme Date between the Issuer, the Account Bank and the Asset Monitor, deals with the opening and operations of the Collection Account and the Reserve Cash Account.

The Collection Account Bank and Reserve Account Bank, respectively, will on or immediately prior to the Programme Date open the following bank accounts in the name of the Issuer:

(a) the Collection Account; and

(b) the Reserve Cash Account (and together with the Collection Account, the "**Bank Accounts**").

The Collection Account Bank and Reserve Account Bank will undertake in the Bank Account Mandate not to deduct or set off from amounts held in the Bank Accounts any costs, fees, expenses or other claims owed to it.

The Bank Account Mandate also specifies the mechanics for controlling the Bank Accounts, the key provisions being as follows:

(a) with respect to the Collection Account:

  (i) prior to the occurrence of an Issuer Event of Default, the Collection Account shall be operated solely by the Issuer;

  (ii) after the occurrence of an Issuer Event of Default, the Collection Account shall be operated solely by the Asset Monitor; and

  (iii) for any payment from the Collection Account to be authorised and implemented by the Collection Account Bank, the Issuer or the Asset Monitor, as applicable, must provide instructions to the Collection Account Bank in accordance with the Bank Account Mandate; and

(b) with respect to the Reserve Cash Account:

  (i) at all times, both prior to and after the occurrence of an Issuer Event of Default, it shall be controlled by the Asset Monitor; and

  (ii) for any payment from the Reserve Cash Account to be authorised and implemented by the Reserve Account Bank, the Asset Monitor must provide instructions to the Reserve Account Bank in accordance with the Bank Account Mandate.

Further, under the Bank Account Mandate, no changes may be made in respect of the Bank Accounts, following the occurrence of an Issuer Event of Default, which are not agreed to by the Asset Monitor and the Collection Account Bank or Reserve Account Bank, as the case may be.

The Bank Account Mandate is therefore designed to ensure that the Asset Monitor can exercise control over the relevant cashflows and apply them as contemplated in the Programme Deed.

Swap Agreements

The Issuer will, in respect of each Series of Covered Bonds, enter into Swap Agreements with one or more Swap Providers and enter into one or more Swaps in relation to such Series or Tranche (as applicable) of Covered Bonds at the time such Covered Bonds are issued. Such Swap(s) will be entered into to provide a hedge against certain currency risks in respect of amounts received by the Issuer under the Mortgage Loans and amounts payable by the Issuer under the Covered Bonds of that Series.

Under the Swap(s) on the relevant Issue Date, the Issuer will pay to the relevant Swap Provider the net amount received by the Issuer in respect of the issue of the relevant Series or Tranche, as applicable, of

Covered Bonds, and in return the relevant Swap Provider will pay an amount equal to the Won Equivalent of the applicable issue proceeds. Thereafter, the relevant Swap Provider will pay to the Issuer on or immediately prior to each Interest Payment Date amounts equivalent to the amounts that would be payable by the Issuer in respect of interest and principal payable under the relevant Series or Tranche of Covered Bonds. In return, the Issuer will pay to the relevant Swap Provider on each Interest Payment Date an amount in Won calculated by reference to the relevant interest rate determined for the relevant Interest Period in accordance with the Swap and the Won Equivalent of any principal due in respect of the relevant Series or Tranche of Covered Bonds.

In addition, the Issuer, the Asset Monitor and the Swap Delegate will enter into a novation agreement with each Swap Provider on or before the relevant Issue Date in respect of the Swap Agreement in respect of each Series of Covered Bonds (each, a "**Novation Agreement**" and together, the "**Novation Agreements**").

Under the terms of each Swap Agreement and each Novation Agreement upon the date on which the Bond Trustee has delivered an Issuer Default Notice to the Issuer in accordance with the Conditions, the Novation Agreements will automatically become effective and the rights and obligations of the Issuer under the cross-currency swap transactions governed by the Swap Agreements will be automatically transferred by novation to the Swap Delegate. Upon such Swap Novation Date, each Swap Agreement will be automatically replaced by the relevant Novated Swap Agreement. The payment obligations of the Swap Delegate under the Novated Swap Agreements are limited to the sums available to pay the relevant Swap Providers under the applicable payment priorities in respect of the Cover Pool Assets and any balance on deposit in the PMT Cash Account (after redeeming any Series of Hard Bullet Covered Bonds that are scheduled to mature during the relevant Pre-Maturity Test Period). If following the termination of the Novated Swap Agreement, the termination amount received by the relevant Swap Provider from the Swap Delegate is less than the amount so due from the Swap Delegate, the Issuer undertakes to indemnify the relevant Swap Provider for such shortfall.

If an Extended Maturity Date is specified as applicable in the Pricing Supplement for a Series of Covered Bonds and the payment of the amount corresponding to the Final Redemption Amount or any part of it by the Issuer is deferred until the relevant Extended Maturity Date pursuant to Condition 6.2 (*Extension of maturity up to Extended Maturity Date*) of the Conditions, and prior to the Maturity Date or any Interest Payment Date thereafter up to (and including) the relevant Extended Maturity Date, the Issuer (or the Swap Delegate if applicable) notifies (pursuant to the terms of the relevant Swap) the relevant Swap Provider of the amount in Won to be paid by the Issuer on such Maturity Date or Interest Payment Date (such amount being equal to the Final Redemption Amount or the relevant portion thereof elected to be paid by the Issuer or payable by the Issuer in accordance with the relevant priority of payments as set out in the Programme Deed on such Maturity Date or Interest Payment Date in respect of the relevant Series or Tranche of Covered Bonds), the relevant Swap Provider will pay the Issuer (or the Swap Delegate if applicable) an amount in the currency of the Covered Bond converted from such Won amount using the applicable Swap Rate and the Issuer (or the Swap Delegate if applicable) will pay such Won amount to the relevant Swap Provider. Further, in the case of a Series of Covered Bonds for which the payment of the Final Redemption Amount or any part of it is deferred until the relevant Extended Maturity Date, the Issuer or the relevant Swap Provider (or the Swap Delegate if applicable) may be required to make a payment of swap extension charges determined by reference to the gains or losses expected to be realised by the relevant Swap Provider in extending the Swap until the following Interest Payment Date. However, such swap extension charges may only be

paid after all amounts senior to such swap extension charges in the Priority of Payments (including principal and interest in respect of all Series of Covered Bonds) have been paid in full. Under each Swap Agreement and Novated Swap Agreement, the relevant Swap Provider will acknowledge and agree to be bound by the priority of payments and certain related provisions in the Programme Deed.

Each Swap will terminate on the Maturity Date or, if an Extended Maturity Date is specified as applicable in the Pricing Supplement for a Series of Covered Bonds and the Issuer (or the Swap Delegate if applicable) notifies the relevant Swap Provider prior to the Maturity Date that the Issuer will be paying an amount less than the Won Equivalent of the Final Redemption Amount (or if no such notice is received by the relevant time by the relevant Swap Provider), on the final Interest Payment Date on which an amount representing the Final Redemption Amount is paid (but in any event not later than the Extended Maturity Date).

Each of the Swap Agreements and the Novated Swap Agreements will contain provisions providing that if the long-term resolution counterparty rating or long-term foreign currency issuer credit rating from S&P or the long-term counterparty risk assessment or senior unsecured debt rating from Moody's of any Swap Provider falls below specified levels, the relevant Swap Provider will be required to take one of certain remedial steps specified in the relevant Swap Agreement or the relevant Novated Swap Agreement, as applicable. Such remedial steps including, amongst others, requirement for the relevant Swap Provider to post eligible collateral pursuant to the terms of the Collateral Agreements.

Each of the Swap Agreements and the Novated Swap Agreements may also be terminated in certain early termination events.

Upon the termination of a Swap Agreement or a Novated Swap Agreement, the Issuer or the relevant Swap Provider may be liable to make a termination payment to the other in accordance with the provisions of the relevant Swap Agreement.

The Swap Agreements are (or, as applicable, will be) and any non-contractual obligations arising out of or in respect of them are governed by and will be construed in accordance with English law.

The Agency Agreement

The Agency Agreement (as modified and/or supplemented and/or restated from time to time) will be entered into by the Issuer, the Bond Trustee, the Issuing and Paying Agent, the Transfer Agent, the Calculation Agent, the CMU Lodging and Paying Agent, and the Registrar on the Programme Date.

Under the Agency Agreement, the Issuing and Paying Agent, the Transfer Agent, the Calculation Agent, the CMU Lodging and Paying Agent, and the Registrar will be appointed to act as agents in respect of the Covered Bonds.

The Agency Agreement will be governed by English law.

CREDIT STRUCTURE

The Covered Bonds will be direct, unconditional and unsubordinated obligations of the Issuer only. The Issuer's obligations to make payments under the Covered Bonds have the benefit of a priority claim on the Mortgage Loans and other assets in the Cover Pool pursuant to the terms of the KHFC Act. Prior to the occurrence of an Issuer Event of Default, the Issuer will make payments of interest and principal on the Covered Bonds out of its general funds and is not obliged to use collections or other proceeds of the Mortgage Loans in the Cover Pool to make such payments. Following an Issuer Event of Default, the Asset Monitor will be responsible for applying collections on, or proceeds from the sale of, the Mortgage Loans in the Cover Pool to make payments of interest and principal on the Covered Bonds as they become due.

In addition to the priority claim of the Covered Bondholders on the Cover Pool Assets, the Asset Coverage Test, the Amortisation Test, the Interest Accumulation Account and the Principal Accumulation Account are features of the transaction that are intended to enhance the likelihood of timely and ultimate payments to the Covered Bondholders and Couponholders. The Asset Coverage Test and the Amortisation Test, as applicable, are designed to ensure that the ratio of the assets in the Cover Pool to the Principal Amount Outstanding of the Covered Bonds is maintained at a certain level. The Interest Accumulation Account and the Principal Accumulation Account will trap the excess of collections of interest ("**Interest Collections**") and collections of principal ("**Principal Collections**"), respectively, on the Mortgage Loans in excess of what is required to make payments to the Swap Providers and to pay the expenses of the Asset Monitor.

The Asset Coverage Test

The Asset Coverage Test is intended to ensure that prior to an Issuer Event of Default the value of the Mortgage Loans and other assets in the Cover Pool is sufficient to make scheduled payments of interest and principal on the Covered Bonds if the Issuer were to default in its payment obligations under the Covered Bonds. Under the Programme Deed, on each Calculation Date the Issuer must determine whether the Adjusted Aggregate Loan Amount is an amount at least equal to the Won Equivalent of the aggregate Principal Amount Outstanding of the Covered Bonds as calculated on the relevant Calculation Date. If the Asset Coverage Test is not satisfied on any Calculation Date and is not remedied by the second following Calculation Date then an Issuer Event of Default will occur. The Asset Coverage Test is a formula that adjusts the current balance of each Mortgage Loan in the Cover Pool to take account of, among other things, breaches of Representations and Warranties, fluctuations in housing prices and other risks affecting the value of the Mortgage Loans. For additional information in respect of the Asset Coverage Test, see "*Summary of the Principal Documents—The Programme Deed—Asset Coverage Test*".

The Amortisation Test

The Amortisation Test is intended to ensure that following the service of an Issuer Default Notice, the value of the Mortgage Loans and other assets in the Cover Pool is sufficient to make scheduled payments of interest and principal on the Covered Bonds if the Issuer were to default in its payment obligations under the Covered Bonds. Under the Programme Deed, on each Calculation Date following the service of an Issuer Default Notice (but prior to the service of an Early Acceleration Notice on the Issuer), the Asset Monitor must determine whether the Amortisation Test Adjusted Aggregate Loan

Amount is an amount at least equal to the Won Equivalent of the aggregate Principal Amount Outstanding of all the Covered Bonds as calculated as of the Calculation Date immediately preceding that Calculation Date. If the Amortisation Test is not satisfied on any Calculation Date and if the Issuer fails to remedy within 30 days of such breach, then a Covered Bond Event of Default will occur. For additional information in respect of the Amortisation Test, see "*Summary of the Principal Documents—The Programme Deed—Amortisation Test*".

Interest Accumulation Account

The Interest Accumulation Account is maintained with the Issuer under the control of the Asset Monitor. Following an Issuer Event of Default, the Asset Monitor will credit the Interest Accumulation Account on each Interest Payment Date with Interest Collections received during the related Calculation Period that are in excess of amounts required by the Asset Monitor to make payments of interest and expenses due on such Interest Payment Date pursuant to the priorities set forth in the Programme Deed. On each Interest Payment Date, the Asset Monitor will apply amounts credited to the Interest Accumulation Account to pay expenses and to make payments to the Swap Providers pursuant to the priority of payments set out in the Programme Deed. See "*Cashflows*".

Principal Accumulation Account

The Principal Accumulation Account is maintained with the Issuer under the control of the Asset Monitor. Following an Issuer Event of Default, Principal Collections will be credited to the Principal Accumulation Account by the Asset Monitor on each Interest Payment Date to the extent not otherwise required to be paid on such Interest Payment Date. On each Interest Payment Date, the Asset Monitor will apply amounts credited to the Principal Accumulation Account to pay expenses and to make payments to the Swap Providers pursuant to the priority of payments set out in the Programme Deed. See "*Cashflows*".

Reserve Cash Account

The Reserve Cash Account will be maintained by the Issuer, under the control of the Asset Monitor in accordance with the Bank Account Mandate and the Programme Deed. The Reserve Cash Account will not be funded on the Programme Date and the Issuer will not be required to fund the Reserve Ledger of the Reserve Cash Account unless (i) the Issuer's long-term senior unsecured foreign currency credit rating by S&P falls below "A" or is withdrawn, and/or (ii) the Issuer's long-term senior unsecured foreign currency credit rating by Moody's falls below "A2" or is withdrawn (each, a "**Reserve Account Funding Event**").

Following a Reserve Account Funding Event, the Issuer will ensure that, at all times prior to an Issuer Event of Default, the Reserve Account Target Balance is on deposit in the Reserve Cash Account. The "**Reserve Account Target Balance**" shall be the sum of:

(a) the sum of (i) the annual aggregate amounts due to the Asset Monitor, the Bond Trustee, Paying Agent/Transfer Agent/Registrar, Account Banks and Back-Up Servicer (if applicable), (ii) the amount due to the Servicer in the immediate following three months, and (iii) the annual aggregate amounts due for the asset monitoring report, Cover Pool Audit and other fees (the "**Reserve Account General Balance**"); and

(b) the sum of (i) the product of KRW 6,250 and the number of KHFC Serviced Mortgage Loans included in the Cover Pool at that time, and (ii) KRW 400,000,000 (the "**Reserve Account Specific Balance**").

If, at any time following a Reserve Account Funding Event, the Reserve Account Target Balance is not on deposit in the Reserve Ledger of the Reserve Cash Account, the Issuer is required to top-up the balance by transferring amounts to the Reserve Ledger of the Reserve Cash Account from the Collection Account so that the Reserve Account Target Balance is on deposit in the Reserve Ledger of the Reserve Cash Account.

Funds held in the Reserve Ledger of the Reserve Cash Account may be used for the following purposes:

(a) following the occurrence of an Issuer Event of Default and in the amount of the Reserve Account General Balance, to transfer to the Interest Accumulation Account for application by the Asset Monitor in accordance with the Programme Deed; and

(b) following the occurrence of an Issuer Event of Default and up to the amount of the Reserve Account Specific Balance, to pay the costs of the Back-Up Servicer or the Asset Monitor in serving re-direction notices to the obligors of KHFC Serviced Mortgage Loans to require them to make payments to the Collection Account, and should any part of the Reserve Account Specific Balance remain unutilised after such re-direction notices have been served, to transfer such amount to the Interest Accumulation Account for application by the Asset Monitor in accordance with the Programme Deed.

No funds may be withdrawn from the Reserve Ledger of the Reserve Cash Account prior to the occurrence of an Issuer Event of Default unless the amount credited to the Reserve Ledger of the Reserve Cash Account exceeds the then-applicable Reserve Account Target Balance, in which case the excess may be withdrawn.

The Issuer will not be required to fund the Pre-Maturity Liquidity Ledger of the Reserve Cash Account unless in relation to a Series of Hard Bullet Covered Bonds on a Pre-Maturity Test Date, (i) the Issuer's short-term senior unsecured foreign currency rating by S&P falls below "A-1" (or such other rating or ratings as published by S&P in its most recent rating criteria from time to time to maintain the then-current ratings of the Covered Bonds by S&P) or is withdrawn and/or (ii) the Issuer's short-term counterparty risk assessment rating, or, if such short-term counterparty risk assessment rating in respect of the Issuer is not available, a senior unsecured rating or an issuer rating by Moody's falls below "P-1" or is withdrawn (each, a breach of the "**Pre-Maturity Test**").

Following a failure of the Pre-Maturity Test in respect of any Series of Hard Bullet Covered Bonds but prior to the occurrence of an Issuer Event of Default (and only for so long as the Issuer is in breach of the Pre-Maturity Test), the Issuer is required to deposit any Eligible Liquid Asset which is a Daily Cash Release or which has been acquired using the Daily Cash Release to the Pre-Maturity Liquidity Ledger of the Reserve Cash Account, with the intention to meet the Pre-Maturity Test Cure Requirement. The amounts in the Pre-Maturity Liquidity Ledger of the Reserve Cash Account may be applied by the Asset Monitor towards redemption of the relevant Series of Hard Bullet Covered Bonds on their Maturity Date.

Funds held in the Pre-Maturity Liquidity Ledger of the Reserve Cash Account may be used for the following purposes:

(a) to be applied by the Asset Monitor towards redemption of the relevant Series of Hard Bullet Covered Bonds on their Maturity Date in accordance with the Programme Deed; and

(b) following the occurrence of an Issuer Event of Default and in the amount of the balance on deposit in the Pre-Maturity Liquidity Ledger of the Reserve Cash Account (after all payments have been made under paragraph (a) above), to transfer to the Interest Accumulation Account for application by the Asset Monitor in accordance with the Programme Deed.

Upon the Issuer satisfying the Pre-Maturity Test Cure Requirement, the Issuer will be entitled to withdraw any Pre-Maturity Liquidity Assets (but only to the extent that such amounts exceed the amount required to satisfy the Pre-Maturity Test Cure Requirement) from the Pre-Maturity Liquidity Ledger of the Reserve Cash Account in accordance with the Programme Deed.

Reserve Securities Account

The Reserve Securities Account will be opened and maintained by the Issuer with the Securities Depositary or Euroclear on the first date on which the Issuer is required to do so in accordance with the Programme Deed.

For the avoidance of doubt, nothing in the Programme Deed prevents the Issuer from opening any Reserve Securities Account with the Securities Depositary or Euroclear prior to a date on which it is required to do so.

The Issuer will, for so long as any Covered Bonds are issued and remain outstanding, once a Reserve Securities Account is opened, maintain at all times such account with the Securities Depositary or Euroclear, and deposit any Pre-Maturity Liquidity Assets other than cash and which have been acquired using the Daily Cash Release into such Reserve Securities Account, with the intention to meet the Pre-Maturity Test Cure Requirement.

The Issuer will procure that all coupons or other distributions arising from assets credited to the Reserve Securities Account and disposal and redemption proceeds in respect thereto are credited to the Pre-Maturity Liquidity Ledger of the Reserve Cash Account, as applicable. The Pre-Maturity Liquidity Assets may be liquidated and applied by the Asset Monitor towards redemption of the relevant Series of Hard Bullet Covered Bonds on their Maturity Date.

Following the occurrence of an Issuer Event of Default, the Asset Monitor will liquidate all Pre-Maturity Liquidity Assets in the Reserve Securities Account and credit the proceeds from any such assets to the Pre-Maturity Liquidity Ledger of the Reserve Cash Account which shall be applied by the Asset Monitor in accordance with the Programme Deed and in the manner summarised in the section entitled "*—Reserve Cash Account*" above.

Upon the Issuer satisfying the Pre-Maturity Test Cure Requirement, the Issuer will be entitled to withdraw any Pre-Maturity Liquidity Assets (but only to the extent that such amounts exceed the amount required to satisfy the Pre-Maturity Test Cure Requirement) from the Reserve Securities Account in accordance with the Programme Deed.

PMT Cash Account and PMT Securities Account

Prior to the date on which the Issuer is required to add any Pre-Maturity Liquidity Assets into the PMT Cash Account and/or the PMT Securities Account (the "**Entrustment Date**"), the Issuer will enter into a trust agreement with a PMT Trustee pursuant to which Issuer entrusts Pre-Maturity Liquidity Assets to the PMT Trustee for the benefit of the Bond Trustee (the "**PMT Trust Agreement**").

The Issuer will procure that a PMT Cash Account and/or a PMT Securities Account will be opened and maintained by the PMT Trustee with the PMT Account Bank (in respect of the PMT Cash Account) and/or with the Securities Depositary or Euroclear (in respect of the PMT Securities Account) prior to each Entrustment Date, in each case, pursuant to the PMT Trust Agreement and in accordance with the Programme Deed.

The Issuer will, for so long as any Covered Bonds are issued and remain outstanding, once a PMT Cash Account and/or PMT Securities Account is opened, maintain at all times such account with the PMT Account Bank and/or the Securities Depositary or Euroclear (as applicable), and deposit into such account any Pre-Maturity Liquidity Assets in the form of cash (in respect of the PMT Cash Account) and/or in a form other than cash (in respect of the PMT Securities Account) and which, in each case, have been acquired other than from the Daily Cash Release, with the intention to meet the Pre-Maturity Test Cure Requirement.

Following the occurrence of an Issuer Event of Default, the Asset Monitor will liquidate (if any) all Pre-Maturity Liquidity Assets in the PMT Securities Account and credit the proceeds from any such assets to the PMT Cash Account.

Funds on deposit in the PMT Cash Account will be applied by the Asset Monitor for the following purposes:

(a) to be applied to towards redemption of the relevant Series of Hard Bullet Covered Bonds on their Maturity Date in accordance with the Programme Deed; and

(b) following the occurrence of an Issuer Event of Default and in the amount of the balance on deposit in the PMT Cash Account (after all payments have been made under paragraph (a) above), to be applied by the Asset Monitor in accordance with the Programme Deed.

CASHFLOWS

As described under "*Credit Structure*" above, prior to an Issuer Event of Default the Issuer will make payments of interest and repayments of principal in respect of the Covered Bonds from its general funds and will not be required to apply collections on the Mortgage Loans in the Cover Pool to make such payments. Following an Issuer Event of Default, however, the Asset Monitor will be granted control of the Collection Account and the Accumulation Accounts (the "**Accounts**") and will direct the application of all collections of interest and principal in relation to the Mortgage Loans, as well as any proceeds realised from the liquidation of Mortgage Loans and any Eligible Investments included in the Cover Pool in accordance with the terms of the Programme Deed.

Described below is the allocation and distribution of amounts credited to the Accounts and their order of priority pursuant to the terms of the Programme Deed in the following scenarios:

(a) prior to the occurrence of an Issuer Event of Default;

(b) following the occurrence of an Issuer Event of Default but prior to the occurrence of a Covered Bond Event of Default or delivery of an Early Acceleration Notice; and

(c) following a Covered Bond Event of Default or delivery of an Early Acceleration Notice.

Prior to the occurrence of an Issuer Event of Default

Prior to the occurrence of an Issuer Event of Default, the Issuer may on any day, subject to certain conditions including but not limited to (i) the balance of the Reserve Ledger of the Reserve Cash Account being at least equal to the Reserve Account Target Balance on such day (if a Reserve Account Funding Event has occurred); and (ii) maintaining compliance with the Asset Coverage Test as at the most recent Calculation Date:

(a) freely utilise all Interest Collections and all Excess Principal Collections in the Collection Account for any purpose ("**Daily Cash Release**"); and

(b) arrange to pay, when the same becomes due and payable, using any amounts that may be available to it:

    (i) all Transaction Expenses that are payable in Won, or such other currency in which such Transaction Expenses may be payable, to the relevant transaction parties; and

    (ii) all Swap Expenses that are payable in Won to the Swap Providers so that the Issuer will have funds available to it to meet its payment obligations to the Covered Bondholders.

Should the balance of the Reserve Cash Account on any day be less than the Reserve Account Target Balance on that day (if a Reserve Account Funding Event has occurred), the Issuer will, before applying funds as contemplated above, apply amounts on deposit in the Collection Account to the Reserve Cash Account up to the Reserve Account Target Balance.

"**Excess Principal Collections**" means on any day prior to an Issuer Event of Default an amount (which may not be less than zero) equal to:

A – B – C

Where:

A = the Adjusted Aggregate Loan Amount as determined on the immediately preceding Calculation Date;

B = the Won Equivalent of the Principal Amount Outstanding of all the Covered Bonds on the immediately preceding Calculation Date;

C = assuming that A – B is a positive number, the aggregate amount of the Principal Collections removed by the Issuer from the Collection Account since the immediately preceding Calculation Date.

Following the Occurrence of an Issuer Event of Default But Prior to a Covered Bond Event of Default or Delivery of an Early Acceleration Notice

(a) Following the occurrence of an Issuer Event of Default, the Issuer may not utilise any Mortgage Loan Collections credited to the Collection Account nor exercise control of the Collection Account. Rather, control over the Mortgage Loan Collections and the Accounts will be exercised solely by the Asset Monitor in accordance with the Programme Deed and the Bank Account Mandate.

(b) The Asset Monitor shall, two Business Days prior to each Interest Payment Date to the extent of funds available therefor, pay all amounts due and payable in respect of the Swap Expenses pursuant to and as contemplated by paragraphs (c)(iv) and (e)(iii) below. In the event that funds are not sufficient to pay all such amounts (a "**Payment Shortfall**") based on the order of priority appearing below, the amounts available to make such payments will be paid pro rata-and *pari passu* to each Series of Covered Bonds and thereafter paid pro rata and *pari passu* to each Swap Provider in proportion to their respective entitlements.

(c) Subject to the provisions of paragraph (b) above in relation to the payment of Swap Expenses, on each Interest Payment Date the Asset Monitor will use Interest Collections and amounts held in the Interest Accumulation Account, or (if any) the balance on deposit in the PMT Cash Account (after redeeming any Series of Hard Bullet Covered Bonds that are scheduled to mature during the relevant Pre-Maturity Test Period) as follows:

(i) **first**, to repay any amounts paid from Principal Collections on the previous Interest Payment Dates by transferring such amounts (except for any amounts from the PMT Cash Account) into the Principal Accumulation Account;

(ii) **second**, to pay pro rata and *pari passu* all amounts then due and payable in Won or such other currency in which such amounts may be payable, having obtained such currencies at the Spot Exchange Rate:

(A) to each of the Servicers, pro rata and *pari passu*, in accordance with the relevant Approved Servicing Agreements; and

(B) to the Bond Trustee in accordance with the Bond Trust Deed;

(iii) **third**, to pay pro rata and *pari passu* all Transaction Expenses then due and payable either in Won or such other currency in which such Transaction Expenses may be payable, having obtained such currencies at the Spot Exchange Rate but only to the extent that such amounts have not been paid by the application of Interest Collections in accordance with paragraph (ii) above;

(iv) **fourth**, to pay pro rata and *pari passu* any early termination payments which are Swap Expenses then due and payable in Won or such other currency in which such early termination payments may be payable, having obtained such currencies at the Spot Exchange Rate, to the Swap Providers in accordance with the terms of the relevant Swap Agreements as a result of early termination, in whole or in part, of the relevant Swap Agreements, save for any early termination payments that constitute Swap Subordinated Amounts;

(v) **fifth**, to pay pro rata and *pari passu* any amounts due in respect of interest on any Series of Covered Bonds then due and payable in Won or such other currency in which such interest may be payable, having obtained such currencies at the Spot Exchange Rate and/or from the Swap Provider(s) in the following manner (as applicable):

(A) ***first,*** to pay to the Swap Providers pro rata and *pari passu* any other amounts of Swap Expenses then due and payable to the Swap Providers in accordance with the terms of the relevant Swap Agreements, save for any early termination payments that constitute Swap Subordinated Amounts;

(B) ***second,*** after taking into account any amounts receivable from the Swap Providers on such Interest Payment Date or the proceeds of any spot exchange to pay pro rata and *pari passu* of any amounts due in respect of interest on each relevant Series of Covered Bonds on a pro rata and *pari passu* basis;

(C) ***third,*** to the extent there are outstanding amounts due in respect of principal on any Series of Covered Bonds in accordance with paragraph (e)(iv) below following the application of Principal Collections in accordance with paragraph (e)(iv), to pay pro rata and *pari passu* of such outstanding amount;

but only to the extent, in each case, that such amounts have not been paid by the application of Principal Collections in accordance with paragraph (e)(iv).

(vi) **sixth**, to the extent all interest and principal on all Series of Covered Bonds have been repaid in full, to pay to the Swap Providers pro rata and *pari passu* any Extension Charge Balance (if any) then due and payable, in Won or such other currency in which such early termination payments may be payable, having obtained such currencies at the Spot Exchange Rate, to the Swap Providers in accordance with the terms of the relevant Swap Agreements; and

(vii) **seventh**, to transfer any Interest Collections otherwise remaining in the Collection Account to the Interest Accumulation Account.

(d) Following the occurrence of an Issuer Event of Default, all Swap Receipts payable in a currency other than Won by the relevant Swap Providers to the Swap Delegate will be paid by the relevant Swap Providers on the applicable Interest Payment Date to the Designated FX Account. The Designated FX Bank will remit such Swap Receipts to the Bond Trustee or, at the direction of the Bond Trustee, to the Paying Agent for payment amounts that are then due and payable in the relevant currency to the relevant Covered Bondholders. However, to the extent that any Swap Receipt represents a termination payment paid by the Swap Providers or any of them, the amount of such termination payment will be applied, first to arrange alternative hedging arrangements if considered necessary and then, as required, to pay amounts due and payable in the relevant currency to the Covered Bondholders.

(e) Following the occurrence of an Issuer Event of Default, on each Interest Payment Date and subject to the provisions of paragraph (b) above in relation to a Payment Shortfall, the Asset Monitor will use Principal Collections and amounts held in the Principal Accumulation Account, or any balance on deposit in the PMT Cash Account (after redeeming any Series of Hard Bullet Covered Bonds that are scheduled to mature during the relevant Pre-Maturity Test Period) as follows:

(i) **first**, to pay pro rata and *pari passu* all amounts then due and payable in Won or such other currency in which such amounts may be payable, having obtained such currencies at the Spot Exchange Rate:

(A) to each of the Servicers, pro rata and *pari passu*, in accordance with the relevant Approved Servicing Agreements; and

(B) to the Bond Trustee in accordance with the Bond Trust Deed,

but only to the extent that such amounts have not been paid by the application of Interest Collections in accordance with paragraph (c)(ii) above;

(ii) **second**, to pay pro rata and *pari passu* all Transaction Expenses then due and payable in Won or such other currency in which such Transaction Expenses may be payable having obtained such currencies at the Spot Exchange Rate, but only to the extent that such amounts have not been paid by the application of Interest Collections in accordance with paragraph (c)(iii) above;

(iii) **third**, to pay to the Swap Providers pro rata and *pari passu* any early termination payments which are Swap Expenses then due and payable in Won or such other currency in which such early termination payments may be payable having obtained such currencies at the Spot Exchange Rate, to the Swap Providers in accordance with the terms of the relevant Swap Agreements as a result of early termination, in whole or in part, of the relevant Swap Agreement save for any early termination payments that constitute Swap Subordinated Amounts;

(iv) **fourth**, to pay pro rata and *pari passu* any amounts due in respect of interest and/or principal on any Series of Covered Bonds then due and payable in Won or such other

currency in which such interest and/or principal may be payable having obtained such currencies at the Spot Exchange Rate and/or from the Swap Provider(s) in the following manner (as applicable):

(A) ***first,*** to pay to the Swap Providers pro rata and *pari passu* any other amounts of Swap Expenses then due and payable to the Swap Providers in accordance with the terms of the relevant Swap Agreements, save for any early termination payments that constitute Swap Subordinated Amounts; and

(B) ***second,*** after taking into account any amounts receivable from the Swap Providers on such Interest Payment Date or the proceeds of any spot exchange, to pay pro rata and *pari passu* of any amounts due in respect of interest and/or principal on each relevant Series of Covered Bonds on a pro rata and *pari passu* basis,

but only to the extent, in each case, that such amounts have not been paid by the application of Interest Collections in accordance with paragraph (c)(v) above;

(v) **fifth**, to the extent all interest and principal on all Series of Covered Bonds have been repaid in full, to pay to the Swap Providers pro rata and *pari passu* any Extension Charge Balance (if any) then due and payable, in Won or such other currency in which such early termination payments may be payable, having obtained such currencies at the Spot Exchange Rate, to the Swap Providers in accordance with the terms of the relevant Swap Agreements; and

(vi) **sixth**, to transfer any Principal Collections otherwise remaining in the Collection Account to the Principal Accumulation Account.

Following the Occurrence of a Covered Bond Event of Default or Delivery of an Early Acceleration Notice

Following the occurrence of a Covered Bond Event of Default or delivery of an Early Acceleration Notice (whichever is earlier), on each Interest Payment Date the Asset Monitor will apply all moneys held in the Collection Account and the Accumulation Accounts as follows:

(a) **first**, to pay pro rata and *pari passu* all amounts then due and payable in Won or such other currency in which such amounts may be payable, having obtained such currencies at the Spot Exchange Rate, to:

(i) each of the Servicers, pro rata and *pari passu*, in accordance with the relevant Approved Servicing Agreements; and

(ii) to the Bond Trustee in accordance with the Bond Trust Deed;

(b) **second**, to pay pro rata and *pari passu* all Transaction Expenses payable in either Won or such other currency in which such Transaction Expenses may be payable, having obtained such currencies at the Spot Exchange Rate, to the relevant service providers, but only to the extent that such amounts have not been paid in accordance with paragraph (a) above;

(c) **third**, to pay pro rata and *pari passu* to the Swap Providers any early termination payments then due and payable in Won or such other currency in which such termination payments which are Swap Expenses may be payable, having obtained such currencies at the Spot Exchange Rate, to the Swap Providers, save for any early termination payments that constitute Swap Subordinated Amounts;

(d) **fourth**, to pay pro rata and *pari passu* any interest due and unpaid on each relevant Series of Covered Bonds provided that if the amount available for distribution under this paragraph (d) (excluding any amounts received or to be received from a relevant Swap Provider) would be insufficient to pay the Won Equivalent of the interest that is or will be due for payment in respect of each Series of Covered Bonds, the shortfall will be divided amongst all such Series of Covered Bonds on a pro rata and *pari passu* basis;

(e) **fifth**, to repay pro rata and *pari passu* the principal on each relevant Series of Covered Bonds, provided that if the amount available for distribution under this paragraph (e) (excluding any amounts received or to be received from a relevant Swap Provider) would be insufficient to pay the Won Equivalent of the principal that is or will be due for payment in respect of each Series of Covered Bonds, the shortfall will be divided amongst all such Series of Covered Bonds on a pro rata and *pari passu* basis; and

(f) **sixth**, to repay pro rata and *pari passu* the principal on each relevant Series of Extended Covered Bonds, provided that if the amount available for distribution under this paragraph (f) (excluding any amounts received or to be received from a relevant Swap Provider) would be insufficient to pay the Won Equivalent of the principal that is or will be due for payment in respect of each Series of Extended Covered Bonds, the shortfall will be divided amongst all such Series of Extended Covered Bonds on a pro rata and *pari passu* basis.

Intra Payment Date

Following the occurrence of an Issuer Event of Default or a Covered Bond Event of Default or delivery of an Early Acceleration Notice on any date that is not an Interest Payment Date, the Asset Monitor may arrange to pay, as and when the same becomes due and payable:

(a) any Transaction Expenses that are payable in Won, or such other currency in which such Transaction Expenses may be payable, to the relevant transaction parties which are not payable on an Interest Payment Date; and

(b) all other liabilities which arise, from time to time, in respect of the Cover Pool Assets or the issuance of any Series of Covered Bonds including, without limitation, any fees or expenses incurred by a professional adviser appointed by the Issuer, the Asset Monitor, or as the case may be,

provided that there are sufficient moneys standing to the credit of the Collection Account or the Accumulation Accounts available for such purpose and the same expense would be otherwise settled on the following Interest Payment Date.

Residual Payments to the Issuer After All Other Cash Application Services

Following either: (i) all Series of the Covered Bonds being redeemed in full and the discharge of all other obligations owed by the Issuer in relation to the issuance of any Series of Covered Bonds; or (ii) upon a Covered Bond Event of Default or delivery of an Early Acceleration Notice (whichever is earlier) and the completion of the payments contemplated under "*—Following the Occurrence of a Covered Bond Event of Default or Delivery of an Early Acceleration Notice*" above, any amount or proceeds from any assets standing to the credit of the Collection Account, the Reserve Cash Account, the Reserve Securities Account, the PMT Cash Account, the PMT Securities Account, the Designated FX Account and the Accumulation Accounts shall be paid:

(a) **first**, to the Swap Providers in respect of any Swap Subordinated Amounts or other Swap Expenses due and payable in Won or such other currency in which such Swap Subordinated Amounts or other Swap Expenses may be payable, having obtained such currencies at the Spot Exchange Rate; and

(b) **second**, to the Issuer.

CERTAIN INFORMATION REGARDING THE COVER POOL

The Cover Pool consists primarily of Mortgage Loans designated by the Issuer at the Programme Date and from time to time thereafter on each Addition Date in accordance with the terms of the Programme Deed, as more fully described under "*Summary of the Principal Documents—The Programme Deed*". The Cover Pool Assets may also include Collections and other cash proceeds of the Mortgage Loans as well as investments of such proceeds in Eligible Investments.

Acquisition and Servicing

The Issuer acquires Mortgage Loans by purchasing them from Participating Banks pursuant to the terms of a Loan Purchase Agreement between the Issuer and each Participating Bank. The Mortgage Loans to be purchased are originated by the Participating Banks according to underwriting guidelines prescribed by the Issuer, including those relating to LTV ratios, debt-to-income ratios and interest rates. The Issuer also conducts diligence on the Mortgage Loans to be purchased to test compliance by the Participating Banks with the required underwriting standards. Prior to each of the Addition Dates, the Issuer will deliver a solvency certificate in the form prescribed in the Programme Deed to the Asset Monitor.

After Mortgage Loans are acquired by the Issuer, each Participating Bank which sold a Mortgage Loan may provide the primary servicing for such Mortgage Loan under the supervision of the Issuer and pursuant to the terms of an Approved Servicing Agreement between the Issuer and each Participating Bank. In some cases, the Issuer may service Mortgage Loans directly. Each Participating Bank receives a fee for servicing the Mortgage Loans it sells to the Issuer and is compensated for origination expenses. Following an Issuer Event of Default, the Back-Up Servicer (once appointed) will assume the Issuer's responsibility to provide servicing for the Mortgage Loans. It is expected that the Back-Up Servicer will continue to utilise the Participating Banks to perform primary servicing functions under the terms of the Approved Servicing Agreements. See "*Summary of the Principal Documents—The Back-Up Servicing Agreement*".

The Mortgage Loans are either Conforming Loans or *Bogeumjari* loans, which have maturities of 10 to 30 years and which are fixed rate mortgage loans.

Management

The Issuer will manage the Mortgage Loans in the Cover Pool separately from its other mortgage loans in a manner consistent with the requirements of the KHFC Act. The documentation relating to the Mortgage Loans will be held separately from that of the Issuer's other mortgage loans and the cash collections and any liquidation proceeds of the Mortgage Loans will be held in the designated accounts as set out in the Programme Deed. The Issuer will not commingle any of its other funds with those held in the accounts relating to the Mortgage Loans. The Issuer's management of the Mortgage Loans will be in accordance with a "securitisation plan" which will be registered with the FSC as required by the terms of the KHFC Act. See "*Summary of the Principal Documents—The Programme Deed*".

Eligibility Criteria

The inclusion of Mortgage Loans in the Cover Pool will be subject to satisfaction of the following criteria at the time each such Mortgage Loan is included in the Cover Pool:

(a) no Issuer Event of Default or Covered Bond Event of Default shall have occurred and be continuing as at the relevant Addition Date;

(b) the Issuer is not aware, and could not reasonably be expected to be aware, that the inclusion of such Mortgage Loans in the Cover Pool would adversely affect the then-current ratings of the Covered Bond by the Rating Agencies; and

(c) the Issuer has made the Representations and Warranties on the applicable Addition Date with respect to the relevant Mortgage Loans in accordance with the terms of the Programme Deed.

Representations and Warranties

The Issuer will make the following Representations and Warranties with respect to each Mortgage Loan to be included in the Cover Pool:

(a) the Mortgage Loan was acquired by the Issuer from a Participating Bank, and the Issuer has acquired all right, title and interest to the Mortgage Loan;

(b) any Mortgage Loan which is serviced by a Participating Bank, is serviced pursuant to the terms of an Approved Servicing Agreement substantially in the form attached to the Programme Deed;

(c) the Mortgage Loan is secured by a valid, enforceable, first ranking and fully perfected mortgage over the relevant Mortgaged Property provided that the enforceability of the mortgage may be limited or affected by laws governing bankruptcy, insolvency, liquidation, rehabilitation, fraudulent conveyance, moratorium, corporate restructuring promotion proceedings or other similar laws which generally affect the rights of creditors;

(d) the real property securing the Mortgage Loan is a private residential property located in Korea;

(e) the LTV ratio of the Mortgage Loan is not more than 70% using the current principal amount outstanding of the Mortgage Loan;

(f) the amounts payable in respect of the Mortgage Loan are payable in KRW only;

(g) no payment in respect of the Mortgage Loan has been rescheduled, amended, re-aged or otherwise changed in order to avoid a delinquency or default or following a delinquency or default as at the relevant Cut-off Date;

(h) no proceedings, actions or investigations pending or, to the knowledge of the Issuer, threatened against any Borrower of the Mortgage Loan before any court, regulatory body, administrative or governmental agency or other tribunal when the Mortgage Loan was originated;

(i) each Borrower of the Mortgage Loan is a natural person who is a Korean citizen or permanent resident, aged at least 20 when the Mortgage Loan was originated;

(j) the loan agreement pursuant to which the Mortgage Loan is originated (the "**Mortgage Loan Agreement**") does not contain any provision which allows the Borrower of the Mortgage Loan to make payments after the scheduled payment date and no such provision has otherwise been agreed in writing or orally;

(k) the Mortgage Loan was originated by a Participating Bank under the Mortgage Loan Agreement and in accordance with all relevant policies, guidelines, practices, procedures and other requirements of the Issuer as well as those required under Korean law or by any applicable Korean regulatory agency; and

(l) the relevant Participating Bank has provided an explanation to the relevant Borrower in relation to any "consent clause" under the relevant Mortgage Loan Agreement.

Such Representations and Warranties will be made on the Programme Date in relation to the Mortgage Loans included in the Cover Pool on that date and on each subsequent Addition Date in relation to the Mortgage Loans included in the Cover Pool on those dates.

The characteristics of the individual Mortgage Loans in the Cover Pool are likely to change over time. The Issuer can, at its discretion, add or remove Mortgage Loans from the Cover Pool subject to satisfying the Eligibility Criteria and the Asset Coverage Test or the Amortisation Test (as applicable).

For the avoidance of doubt, the Issuer has no obligations to remove any Mortgage Loans from the Cover Pool that do not satisfy the Eligibility Criteria or the Representations and Warranties.

THE KOREAN RESIDENTIAL MORTGAGE INDUSTRY

Overview

The information and statistics set out in this section are derived from various public and private sources. This information has not been prepared or independently verified by the Issuer, the Participating Banks, the Dealers or any of their respective affiliates or advisers.

Introduction

Korea has experienced a strong economic recovery from the Asian financial crisis, which began in the second half of 1997. Korea's gross domestic product ("**GDP**") increased from Won 837 trillion as of 31 December 2003 to Won 2,289 trillion as of 31 December 2024. The population in Korea is approximately 52 million in 2024. Korea is the twenty-seventh most densely populated country in the world (515 people per square kilometre of land area), with mountains and forest covering 66% of the land. The population in Korea is concentrated in the capital city of Seoul and six other metropolitan cities: Busan, Daegu, Ulsan, Incheon, Daejeon and Gwangju. Over 43% of the total population of Korea lives in those seven major cities, and 18% resides in Seoul. The Seoul metropolitan area, which includes the Seoul, Incheon and Gyeonggi areas, accounted for over 50% of the population. The population has decreased by 1.2% from 2020 to 2024 nationally.

Most of the newly built residential properties are high-rise apartment complexes. A typical Korean home is an apartment designed for single household occupancy. The average size of a unit is approximately 82-116 square metres. The majority of homes are owner-occupied, with apartments and multi-household complexes demonstrating higher home ownership ratios due to greater availability of financing and greater liquidity for such housing types in the housing market.

Koreans who do not own a home normally enter into a unique Korean lease contract called *chonsei*. *Chonsei* refers to the key money deposit which is paid upfront by the tenant to the landlord, and typically ranges from 65% to 75% of the market value of the property. During the lease term, the tenant is not required to pay any rent. Instead, the landlord is free to invest the key money deposit and keep the proceeds thereof in lieu of monthly rental payments. The entire amount of the key money deposit is returned to the tenant after the expiry of the lease contract without any interest thereon. Historically, when returns on capital were high, *chonsei* provided an attractive source of income for the landlord. In recent years, the demand for *chonsei* has increased with the decrease in housing supply in urban areas. It has also resulted in a portion of the *chonsei* housing shifting to a rental arrangement with monthly rental payments known as *wolsei*.

Residential Market

In Korea, the residential housing market has been managed through public policy administered by the MOLIT.

In 1988, the Government initiated a two million apartment unit construction project by increasing the supply of usable land to private construction companies. Total housing construction for the period from

1988 to 1992 was 2.7 million apartment units. As a result, the housing supply has caught up with the housing demand and, in 2009, the housing supply ratio reached 101.2. However, the ratio was still below 100 in Seoul and other metropolitan areas because of the ongoing employment-driven migration from rural areas to urban areas. In 2024, the housing supply ratio stood at 102.5 for the whole country and 93.6 for Seoul.

During the Asian financial crisis, housing prices declined by 19.8% but by 1999, the housing market began to show signs of recovery. With the increasing role of commercial banks in mortgage financing, the favourable interest rate environment and the relative shortage of supply in urban areas, the average price index of an apartment in Seoul has been on the rise.

In August 2005, the Government announced strict measures to curb speculative investment. These measures include limiting the availability of mortgage loan financing and introducing changes in taxation policies.

In April 2007, the National Assembly of Korea passed an amendment bill to the Housing Law, aimed at the disclosure of construction costs and imposing price ceilings for newly built apartments in order to curb the rise of residential property values.

In September 2008, the global financial crisis originating in the United States began to exact a toll on the Korean domestic financial market, causing a decline in real estate prices. In order to mitigate the impact on this fall in prices, the Government lifted various regulations applicable to activity in the real estate market. Despite these moves, the domestic housing market continued to worsen due to the continuing financial instability and contraction of the real economy relating to the global financial crisis.

Residential real estate prices in Korea rose significantly in early 2008. Starting in October 2008, however, house prices dropped for three consecutive months, ending the year 3.1% higher than the previous year. Housing construction activity in Korea during 2008 was sluggish, with the lowest number of new housing units approved since 1998, in part due to the unfavourable environment in the industry caused by a drop in demand and a large number of newly built homes that remained unsold.

The number of unsold new houses reached a record-high of 166,000 units at the end of 2008.

The housing market stagnated in early 2009 as consumer sentiment slid further due to the global financial crisis. It began to rebound in the second quarter owing to deregulation by the Government, the persistence of low interest rates and rising expectations of economic recovery. Nationwide, house prices rose for nine consecutive months from April 2009 and ended the year up 1.5% The number of unsold new housing units dropped in 2009 to 126,000 by year end as a result of the temporary exemption from acquisition and registration taxes and income taxes, and exclusion from regulations on DTI ratio and loan-to-value ratio. The demand for housing in Korea grew in 2010 and between January 2010 and May 2011 house prices rose by 5.6%, though there were drops in July and August 2010. Growth rate slowed and starting from April 2012 nationwide house prices continued to drop until March 2013. Since 30 September 2013, house prices have been continuing to rise due to the deregulation by the Government. On 2 August 2017 the Government unveiled a tighter set of real estate market measures in order to stem a recent rise in housing prices, such as the implementation of new debt-to-income requirements, imposition of stricter debt-to-income and loan-to-value ratios in certain

areas designated as "speculative districts", "overheated speculative districts" and "adjustment targeted areas", restrictions on the resale of home purchasing rights of real estate assets, and the increase of property taxes on real estate transactions for owners of multiple residential units.

As of the end of December 2021, house prices were up 9.9% compared to the end of 2020. Due to policy rate hikes by the Bank of Korea in response to inflationary pressures, the upward trend was compromised in 2022 as house prices were down 4.7% as of the end of December 2022, compared to the end of 2021. As of the end of December 2023, house prices were down 3.5% compared to the end of 2022. As of the end of December 2024, house prices were up 0.1% compared to the end of 2023.

Mortgage Loan Market

Prior to 1997, the Korean mortgage market was dominated by the National Housing Fund (the "**NHF**"), which provided Government subsidised mortgage loans through the Housing and Commercial Bank ("**H&CB**") at low interest rates. At that time, Government restrictions imposed on commercial banks prevented them from originating mortgage loans with terms of more than 10 years. Insurance companies who engaged in the mortgage loan business as an ancillary business, however, were not subject to such restrictions. Since the privatisation of H&CB and the removal of such restrictions on the mortgage loan business in 1997, almost all commercial banks and other financial institutions have entered the market. As a result, competition among mortgage lenders has increased. However, H&CB, which merged with KB Kookmin Bank in 2001, is still a dominant player in the market.

After the Asian financial crisis, the housing market rapidly recovered and, as house prices increased, the amount of outstanding mortgage loans increased from Won 153 trillion as of the end of 2003 to Won 409 trillion as of the end of 2008. As of the end of each of 2023 and 2024, the amount of outstanding mortgage loans was approximately Won 1,294 trillion and Won 1,351 trillion, respectively.

Due to the low interest rate environment, lenders have introduced market-based floating rates of interest, which are primarily based on the prevailing market rate for certificates of deposits in Korea. As at December 2024, floating rate mortgage loans accounted for more than 34.4% of the total mortgage loans. Until 1998, mortgage loans typically carried terms of 20 years. However, due to rising housing prices and increased trading of properties, mortgage loans featuring terms of three-to-five years were introduced. However, the Government has recently started again to promote long-term amortising mortgage loans. Meaningful historical prepayment data for mortgage loans was limited until 1999 as the applicable interest rates for mortgage loans provided by the NHF were lower than the prevailing market rates and there was limited competition in the mortgage loan business given H&CB's market dominance. Since 1999, prepayments have increased due to increased competition among mortgage lenders and falling interest rates for mortgage loans.

The most frequently used form of loan security for residential property in Korea is the *Keun-mortgage,* which differs from a more traditional mortgage. With more traditional mortgages, a mortgagee's rights are automatically extinguished upon satisfaction of the underlying debt, whereas with a *Keun-mortgage,* the mortgagee's rights are not automatically extinguished upon satisfaction of the underlying debt. Instead, a mortgagee's rights are extinguished when the term of the *Keun-mortgage* agreement expires or if it is terminated sooner by the parties. Furthermore, the amount of the secured claim may be increased or decreased within the maximum amount as agreed upon by the mortgagee and

borrower of the secured claim (which is duly registered in the relevant real estate registry) during the term of the *Keun-mortgage* agreement. Since the mortgage rights and obligations are not automatically extinguished, the contracting parties are not required to enter into and record separate mortgage agreements each time a subsequent loan is made. *Keun-mortgages* can be enforced in the same manner as various other real estate rights, including enforcement through petition for auction and entitlement to distribution in accordance with recorded priorities. Korea is a "race" jurisdiction that assigns claim priority in chronological order by date of the registration of the mortgages and other security interests. Statutory liens are exceptions to this rule and may rank senior to prior recorded mortgages and other security interests.

Regulatory Overview

For a discussion of the regulatory overview of KHFC's mortgage loan business, see "*Korean Legal Considerations*".

KOREAN LEGAL CONSIDERATIONS

The following is a summary of certain Korean legal issues relevant to prospective investors. The following summary is not intended to be exhaustive. Prospective investors should consider the nature of and investment in covered bonds of this type and the political and legal environment of Korea, and should make such further investigations as they, in their sole discretion, deem appropriate.

Insolvency Laws

Overview

The Debtor Rehabilitation and Bankruptcy Act (the "**DRBA**") is the primary law governing court-supervised insolvency proceedings in Korea.

In the case of rehabilitation proceedings pursuant to Chapter 2 of the DRBA, the ability of secured creditors to enforce their rights to security may be restricted and payment may be subject to rescheduling pursuant to a rehabilitation plan. In bankruptcy proceedings pursuant to Chapter 3 of the DRBA and individual debtor rehabilitation proceedings pursuant to Chapter 4 of the DRBA, however, it is possible for secured creditors to enforce their security interests, subject to certain restrictions.

In addition to the DRBA, the Corporate Restructuring Promotion Act (the "**CRPA**") may restrict certain financial creditors' ability to enforce security interests granted by a "**Company Showing Signs of Insolvency**" as defined in such Act (a "**Failing Company**"). Also, the Act on Structural Improvement of the Financial Industry (the "**ASIF**") provides regulations regarding improvement of insolvent financial institutions. With respect to individual debtors in financial difficulty, the Korean financial industry's Agreement among Financial Institutions for Assisting the Credit Recovery Support Plan could restrict a creditor financial institution's ability to enforce a mortgage or other security granted by an individual debtor. See "*—Individual Work-out Plans*" below.

Debtor Rehabilitation and Bankruptcy Act

The DRBA contains:

(a) provisions applicable to rehabilitation proceedings under Chapter 2 of the DRBA (hereinafter referred to as "**Chapter 2 Proceedings**"), which primarily deal with rehabilitation of insolvent business entities;

(b) provisions applicable to bankruptcy proceedings, which deal with liquidation of insolvent business entities and individuals;

(c) provisions applicable to individual rehabilitation proceedings under Chapter 4 of the DRBA (hereinafter referred to as "**Chapter 4 Proceedings**"), which are applicable only to certain individual debtors who are wage earners or self-employed earners with debts of no more than a certain specified amount; and

(d) provisions applicable to international insolvency proceedings.

Under the DRBA, the petitioner must specify which procedure he or she wishes to use. For a debtor that has filed for bankruptcy proceedings, a bankruptcy trustee will be appointed to liquidate the assets of the debtor and to distribute the proceeds to its unsecured creditors on a pro-rata basis after the court issues an order preserving the debtor's assets. Secured creditors remain free to exercise their security interests under bankruptcy proceedings.

On the other hand, the goal of Chapter 2 Proceedings and Chapter 4 Proceedings is to rehabilitate insolvent companies or, as the case may be, individuals. In a Chapter 2 Proceeding, secured creditors are not permitted to enforce their security interest. Secured creditors in Chapter 4 Proceedings, however, are permitted to enforce their security interests notwithstanding such Chapter 4 Proceedings (x) unless the court issues an order to suspend or prohibit such exercise during the period after the filing of the petition for Chapter 4 Proceedings but before the court decides to commence Chapter 4 Proceedings, or (y) once the court decides to commence Chapter 4 Proceedings, only after the earlier of (i) the court's approval of the repayment plan or (ii) the final decision by the court to discontinue such Chapter 4 Proceedings.

The DRBA makes it easier for the court to set aside transactions which the debtor has entered into with certain shareholders or equityholders of the debtor ("**specially related persons**"), by making the presumption that the specially related persons, when entering into such transactions acted with the knowledge that entry into such transactions with the debtor would be prejudicial to other creditors of the debtor. For example, transactions entered into by a debtor for, or relating to, the granting of security by, or the extinguishment of obligations of, the debtor within sixty days before the suspension of payment, without any prior existing obligation to do so, may be set aside. However, this sixty-day period extends to one year in the case of transactions entered into with specially related persons. Further, gratuitous acts or the equivalent thereof performed by the debtor within six months prior to the suspension of payment, etc. by the debtor may be set aside, and this six-month period extends to one year with regards to transactions entered into with specially related persons.

Chapter 2 Proceedings

Chapter 2 Proceedings (i.e. rehabilitation proceedings) are designed for use by insolvent debtors who wish to rehabilitate themselves. This type of proceeding is closely supervised and controlled by the court so that most of the material actions or decisions of the debtor may be taken or made only with the approval of the court.

All types of legal entities, including joint stock companies, limited liability companies and unincorporated foundations or associations, as well as individuals, may avail themselves of Chapter 2 Proceedings.

The DRBA provides that in Chapter 2 Proceedings, in principle, the debtor itself or, in case where the debtor is a company, its own representative, and not a third party, will be appointed as receiver with authority to act on behalf of the debtor, subject to supervision of the court. It is also possible in Chapter 2 Proceedings for a legal entity to be appointed as the receiver. If a legal entity is appointed as the receiver, the legal entity should designate one of its directors to exercise the rights and powers conferred on it as a receiver and report such designation to the court.

Under the DRBA, the debtor may file a petition with the court for commencement of Chapter 2 Proceedings where either, (i) the debtor cannot repay its debts without causing material damage to the

continuance of the debtor's business, or (ii) events leading to bankruptcy of the debtor may arise. If the debtor is a joint stock company or a limited liability company, (a) a creditor who has claims in an amount not less than 10 per cent. of the debtor's paid-in capital, or (b) a shareholder or equityholder who holds shares or an equity interest constituting not less than 10 per cent. of the debtor's paid-in capital, may also apply for commencement of Chapter 2 Proceedings. If the debtor is not a joint stock company or a limited liability company, a creditor who has claims in an amount of not less than Won 50 million or an equityholder who holds an equity interest of not less than 10 per cent. of the debtor's equity can apply for commencement of Chapter 2 Proceedings.

When the debtor itself or a creditor or equityholder of the debtor that satisfies the above requirements applies for commencement of Chapter 2 Proceedings, the court may, upon the request of interested parties or in its sole discretion, but after hearing the opinion of the management committee, issue a preservation order against individual assets of the debtor, and may issue an injunction against bankruptcy proceedings or enforcement proceedings initiated by the debtor's secured or unsecured creditors. Further, if the court determines that the objectives of the Chapter 2 Proceedings may not be achieved through asset preservation orders, it may issue a comprehensive stay order against enforcement proceedings initiated by creditors against the assets of the debtor. If a comprehensive stay order is issued, enforcement proceedings that are already in progress will be suspended, and the court may cancel such enforcement proceedings upon the request of the debtor or, as the case may be, the receiver, if deemed necessary for the continuance of the debtor's business. However, if the court determines that a creditor may sustain unjust damages as a result of such comprehensive stay order, the court may revoke the order for that particular creditor upon request of such creditor.

When a petition for commencement of Chapter 2 Proceedings is filed, the court is required to determine within one month of the date of petition whether to commence such proceedings, although such period may be extended by the court. Once the commencement of Chapter 2 Proceedings is declared, most claims against the debtor that arose prior to such commencement date are automatically stayed, while claims arising after the commencement date are generally not subject to the Chapter 2 Proceedings. Also, the court will appoint a receiver with the power to conduct all of the debtor's business and manage all of the debtor's properties, subject to court supervision.

As a general rule, any creditor whose claim against the debtor arose prior to the commencement of the Chapter 2 Proceedings, whether secured or unsecured, may not enforce such claims other than as provided for in the rehabilitation plan adopted at the meeting of interested parties and approved by the court. The rehabilitation plan may alter or modify the rights of creditors or shareholders. Accordingly, there can be no assurance that the rights of the creditors, whether secured or unsecured, will not be adversely affected by a Chapter 2 Proceedings. Further, a creditor who intends to participate in the rehabilitation plan must file a proof of claim with the court within the period fixed by the court if the receiver had not affirmatively recognised such claim.

In Chapter 2 Proceedings, creditors are classified into three basic categories: (i) creditors with unsecured rehabilitation claims, (ii) creditors with secured rehabilitation claims, and (iii) creditors with claims for the common benefit. The former two categories of creditors are subject to the Chapter 2 Proceedings and generally may not receive payment or repayment for their respective claims other than as provided in the rehabilitation plan. Creditors with claims for the common benefit are not subject to the rehabilitation plan, and include, among others, those creditors whose claims either arose after the

commencement of the Chapter 2 Proceedings (subject to certain exceptions) or those creditors whose claims were approved by the court during the preservation period.

If the debtor fails to perform its payment obligations in accordance with its rehabilitation plan, affected creditors are not permitted to initiate lawsuits or enforce their security interests. Instead, they (or the receiver of the debtor) may only request the court to amend the rehabilitation plan. However, if such amendment could have an adverse effect on creditors with rehabilitation claims or shareholders of the debtor, the court may amend the rehabilitation plan, in principle, only after obtaining approval for the amendment through an affirmative vote at a meeting of interested parties. If it becomes apparent, either before or after the court approves the rehabilitation plan, that the debtor cannot be rehabilitated, the court may, at its sole discretion or upon the request by the receiver or a creditor with a rehabilitation claim, issue an order to discontinue the Chapter 2 Proceedings.

Bankruptcy Proceedings

A bankruptcy proceeding is a court administered process whose purpose is to liquidate an insolvent debtor's assets and distribute the proceeds therefrom to the debtor's creditors on a pro rata basis. Bankruptcy proceedings formally commence upon an adjudication by the court that the debtor is indeed "**bankrupt**". The court will make its determination as to whether grounds for bankruptcy exist based on the written pleadings and oral arguments of the petitioner. The adjudication of bankruptcy also has the effect of automatically staying all unsecured creditors from enforcing their claims against the bankruptcy estate.

The bankruptcy trustee appointed by the court is vested with the exclusive right to manage and dispose of the bankruptcy estate, and to conduct an investigation and assessment of the bankruptcy estate. The DRBA permits a legal entity to be appointed as the bankruptcy trustee of the bankruptcy proceeding. If a legal entity is appointed as the bankruptcy trustee, it shall designate one of its directors to exercise the rights and powers conferred to it as bankruptcy trustee and shall report such designation to the court. After reviewing the reports prepared by the bankruptcy trustee, the creditors will have a meeting and vote on a resolution deciding whether to continue or discontinue the debtor's business and the manner of safeguarding the bankruptcy estate.

Subject to certain statutory limitations and approval by the inspection commissioners, the bankruptcy trustee has the power to liquidate the bankruptcy estate, and to determine the manner and timing of such liquidation. The bankruptcy trustee distributes the proceeds from the liquidation of the bankruptcy estate to the creditors in proportion to their claims. The distribution is made in several stages. Claims entitled to distribution are differentiated according to their priority of claims. Bankruptcy creditors are classified as follows, in accordance with their priorities: (i) secured creditors, who have the right to enforce their securities on the same terms as would be available if the debtor were not in bankruptcy; (ii) creditors with estate claims, which include costs of judicial proceeding, tax claims, wages and payment of severance, management expenses incurred in connection with management, liquidation and distribution of the bankruptcy estate, and other claims arising from administration of the bankruptcy estate; (iii) creditors with other statutorily preferred claims (including policyholders' claims against an insurance company to the extent of the amount equal to the relevant reserves); (iv) general claims; and (v) less preferred claims.

The DRBA ensures that the priority rights of tenants under the Residential Tenant Protection Act and the Commercial Building Tenant Protection Act are also protected under bankruptcy proceedings.

Chapter 4 Proceedings

Chapter 4 Proceedings (i.e., individual rehabilitation proceedings) are available to persons (i) who are unable, or are likely to become unable, at the time of their application for rehabilitation procedures, to repay debts when they become due, (ii) who are considered to have the ability to earn consistent wage income or business income in the future and (iii) whose debt is no more than (x) Won 1.5 billion in case of debts secured by a mortgage, pledge, *Chonsei-kwon* and certain other preferential rights, and (y) Won 1 billion in case of any other debts. Only debtors, and not creditors, are able to petition the court for Chapter 4 Proceedings. When a debtor files a petition for Chapter 4 Proceedings, the court may suspend or prohibit bankruptcy proceedings, compulsory execution, provisional attachment, establishment or enforcement of security or the repayment of claims until the court decides whether to commence Chapter 4 Proceedings. In principle, the court must make such decision within a month after the filing of the petition.

After the commencement order is issued by the court, any bankruptcy proceedings, Chapter 2 Proceedings or actions mentioned above are automatically suspended or prohibited. In addition, after the commencement order is issued by the court, the establishment or enforcement of security interests is automatically suspended or prohibited until the earlier of the date (i) when the repayment plan is approved or (ii) when the approved Chapter 4 Proceedings are later finally determined to be discontinued. Subject to the automatic suspension or prohibition as described above, secured creditors have the right to enforce their security interests on the same terms as would be available if the debtor was not in Chapter 4 Proceedings. In principle, the debtor retains management and disposal rights over his/her assets even after the issuance of a commencement order for Chapter 4 Proceedings. The debtor must submit a list of creditors at the time of application, and any claims that are not disputed by the relevant creditor will be settled as indicated on the creditors list. Claims that are disputed by creditors will be settled through a court decision. The debtor must, in principle, submit a repayment plan within 14 days of the application, and the repayment period must not exceed three years from the commencement of repayment.

The repayment plan must be approved by the court and the court may order its amendment. One important requirement for approval is that the total amount of repayment must not be less than the amount that creditors would have received in a bankruptcy proceeding, unless creditors consent to the court's approval despite the failure of the individual debtor's repayment plan to meet such requirement. The DRBA sets out a list of claims that have priority in payment to the claims listed in the creditor list (e.g., expenses for the Chapter 4 Proceedings, certain taxes, salaries for the debtor's employees, etc.). Once the debtor completes repayment in accordance with the repayment plan, the court will issue an acquittal order with respect to the debtor.

International Insolvency Proceedings

The representative in a foreign insolvency proceeding (i.e., a person or entity recognised by the applicable court as the receiver or representative in the foreign insolvency proceeding) may file with the Korean court for approval of such foreign insolvency proceeding. Once the foreign insolvency proceeding is approved by the Korean court, the representative in such proceeding may apply for insolvency proceedings in Korea or participate in the insolvency proceeding that is already in progress in Korea. On the other hand, the receiver or bankruptcy trustee in the insolvency proceeding in Korea may, for purposes of such proceeding, take actions in foreign jurisdictions to the extent permitted by applicable laws.

Individual Work-out Plans

According to the Act on Supporting the Financial Life of the Low Income Households which took effect on 23 September 2016 and as amended from time to time, the Credit Counselling and Recovery Service entered into, with, among others, the participating financial institutions, and revised from time to time, "**the Credit Recovery Support Agreement**" (the "**Individual Work-out Plan Agreement**") which took effect on 23 September 2016 in order to support debt adjustment of the individual debtors.

The Individual Work-out Plan Agreement applies to sole practitioners and to individuals who have a poor credit history, who owe Won 1.5 billion or less (secured debt of Won 1.0 billion or less and unsecured debt of Won 0.5 billion or less) to financial institutions, and, as determined by the Review Committee (defined below), (i) whose income exceeds the minimum cost of living or (ii) who are able to repay their debts. The individual work-out plans under the Individual Work-out Plan Agreement consists of (i) the swift work-out plan for debtors owing to two or more financial institutions where delinquency period of one of the debts is between 1 day and 30 days, (ii) the pre-work-out plan for debtors owing to two or more financial institutions where delinquency period of one of the debts is between 31 day and 89 days and (iii) the regular work-out plan for debtors owing to one or more financial institutions where delinquency period of one of the debts is 3 months or more. Any individual who satisfies one of the foregoing requirements and does not fall within any of the disqualifications under the Individual Work-out Plan Agreement (e.g., any loan or credit facilities incurred in the six-month period prior to the application is 30 per cent. or more of the aggregate outstanding credit balance) may apply for protection under the scheme to the Credit Counselling and Recovery Service.

On receipt of such an application, the Credit Counselling and Recovery Service notifies each of the debtor's creditor financial institutions and requests them to certify the amount owed to them and their opinion on the application. From the time that the financial institutions receive such a notice, they are subject to a moratorium on their ability, among other things, to enforce any security, including any residential mortgage that they hold for the relevant debt.

The application is then considered by a review committee (the "**Review Committee**") established under the Individual Work-out Plan Agreement. The Review Committee can recommend a plan (which can be either a "**Swift Work-out Plan**", a "**Pre-Work-out Plan**" or "**Regular Work-out Plan**") for the rehabilitation of the debtor, including (a) in the case of a Regular Work-out Plan, extending the repayment period to up to eight or ten years depending on the income of the individual (for unsecured debt) or 20 years (for secured debt), adjusting interest rates, setting up an instalment plan for a period not exceeding eight or 20 years, granting a grace period of up to three years (with annual interest rate during the grace period of up to 2 per cent.) and writing off the principal amount of the outstanding debt (i) in respect of the debt written-off by a financial institution, in case of unsecured debt up to an amount equal to from 20 per cent. to 70 per cent. thereof, and in case of secured debt, the amount exceeding the value of the collateral or (ii) in respect of the debt not written-off, up to an amount equal to from 0 per cent. to 30 per cent. thereof only if the period elapsed after the occurrence of such debt is not less than 12 months and the delinquency period is not less than 3 months (while all of the interest and default interest due on the debts may be written off irrespective of such debt being written off or not, other than the secured debt not written-off, the default interest exceeding the amount of the contracted secured obligations) and in case of the outstanding debt only consisting of the interest or overdue interest, the amount of such debt up to an amount equal to 90 per cent. thereof, (b) in the case of a Pre-Work-out Plan, extending the repayment period to up to 10 (for unsecured debt) or 20 (for

secured debt) years, adjusting interest rates, setting up an instalment plan for a period not exceeding 10 or 20 years, granting a grace period of up to three years (with annual interest rate during the grace period of 2 per cent.) and writing off all of the default interest due on the unsecured debt not written-off, the default interest exceeding the amount of the contracted secured obligations in case of the secured debt not written-off and in case of the outstanding debt only consisting of the interest or overdue interest, the amount of such debt up to an amount equal to 90 per cent. thereof and (c) in the case of a Swift Work-out Plan, extending the repayment period to up to 10 (for unsecured debt) or 20 (for secured debt) years, adjusting interest rates, setting up an instalment plan for a period not exceeding 10 or 20 years, granting a grace period of up to three years (with annual interest rate during the grace period of the contracted interest rates up to 15 per cent., but 10 per cent. for credit card debts) and writing off all of the default interest due on the unsecured debt not written-off, the default interest exceeding the amount of the contracted secured obligations in case of the secured debt not written-off and in case of the outstanding debt only consisting of the interest or overdue interest, the amount of such debt up to an amount equal to 90 per cent. thereof, as applicable.

The Swift Work-out Plan, Pre-Work-out Plan or Regular Work-out Plan, as applicable, of the Review Committee is put to a vote of the creditors of the relevant debtor and, to be adopted, must be approved by creditor financial institutions representing more than 50 per cent. of the debtor's outstanding unsecured debt and more than 50 per cent. of the debtor's outstanding secured debt. If the Swift Work-out Plan, Pre-Work-out Plan or Regular Work-out Plan is rejected, the Review Committee may submit a revised Swift Work-out Plan, Pre-Work-out Plan or Regular Work-out Plan, as applicable, to the creditor financial institutions, which must be approved by the same majorities.

If the Swift Work-out Plan, Pre-Work-out Plan or Regular Work-out Plan is adopted, the creditor financial institutions are bound by its terms. Any creditor financial institution which violates the Swift Work-out Plan, Pre-Work-out Plan or Regular Work-out Plan, for example, by seeking to enforce its security, could be subject to a penalty by the Credit Counselling and Recovery Service of an amount not exceeding Won 2 million.

Corporate Restructuring Promotion Act

The original Corporate Restructuring Promotion Act (Act No. 6504) ("**Old CRPA**") was enacted on 14 August 2001 in order to facilitate the out-of-court restructuring of insolvent companies. This law expired on 31 December 2005, and new Corporate Restructuring Promotion Acts were enacted on 3 August 2007 (expired on 31 December 2010), 19 May 2011 (expired on 31 December 2013) and 1 January 2014 (expired on 31 December 2015), 18 March 2016 (expired on 30 June 2018), 16 October 2018 (expired on 15 October 2023) and 26 December 2023 (to be expired on 25 December 2026, the new CRPA enacted and implemented on 26 December 2023 is hereinafter referred to as the "**CRPA**").

However, if the 'main Creditor Financial Institution' of a Failing Company provided notice of the convening of a Creditor Committee (defined below) on or before 25 December 2026, any proceedings commenced by such Creditor Committee will remain subject to the CRPA even after 25 December 2026 unless and until such proceedings are completed or discontinued.

The following is a summary of the key provisions of the CRPA. The CRPA applies to a financial creditor (the "**Financial Creditor**") who has financial claims against a debtor company by 'providing

credit' to such debtor company or other third parties. "**Provision of Credit**" is defined in the CRPA as any transaction determined by the FSC to fall under any of the following:

- loans;
- purchase of promissory notes and debentures or bonds;
- equipment leasing;
- payment guarantees;
- providing advance payments on acceptances and guarantees under a payment guarantee;
- any direct or indirect financial transaction which may cause a loss to a counter party as a consequence of a payment failure by a debtor company; or
- any transaction other than the transactions set out above which may have in substance the same effect as the transactions set out above.

The "**debtor company**" is defined under the CRPA as a company established under the Korean Commercial Code or other person performing profit-making activities. The "**Failing Company**" means a debtor company deemed, through a credit evaluation carried out in the manner set out in the CRPA, by its 'main Creditor Financial Institution' as having difficulty to repay debts to its financial creditor without external financial support or an additional loan (excluding loans obtained in the course of conducting normal financial transactions).

Once the debtor company is notified by the main Creditor Financial Institution to fall under the definition of Failing Company, such company may submit its business restructuring plan and the list of its Financial Creditors, and apply to such main Creditor Financial Institution for commencement of the management procedure to be assumed by a committee of Financial Creditors (the "**Creditor Committee**") or such main Creditor Financial Institution.

Under the CRPA, upon the Failing Company's application for the commencement of the management by the Creditor Committee, the main Creditor Financial Institution of a Failing Company is required to convoke the first meeting of the Creditor Committee to decide whether to commence the management of the Failing Company by the Creditor Committee. Upon the Failing Company's application for the commencement of the management by the main Creditor Financial Institution, the main Creditor Financial Institution may solely commence the management procedures if it determines that there is a possibility that the financial condition of the Failing Company may be rehabilitated or brought back to normal in accordance with its business restructuring plan.

Under the CRPA, in order to call for the first meeting of the Creditor Committee, the main Creditor Financial Institution is required to notify the Financial Creditors, the Failing Company, the coordination committee established under the CRPA and the FSS. However, the main Creditor Financial Institution may omit the notification to some extent of the Financial Creditors who are set out in the CRPA such as a Financial Creditor who does not perform the financial business or a

Financial Creditor who has only small claims against the Failing Company. The Financial Creditors who do not receive the notification from the main Creditor Financial Institution will be excluded from the Creditor Committee; provided that if they nevertheless want to attend the meeting, the main Creditor Financial Institution may not exclude such Financial Creditors. When the main Creditor Financial Institution calls for the first meeting of the Creditor Committee, it may require the Financial Creditors to grant a moratorium on the enforcement of claims (including the enforcement of security interests) until the end of the first meeting of the Creditor Committee. In addition, at the first meeting of the Creditor Committee, the Financial Creditors may resolve to declare a moratorium for up to one month (or three months if an investigation of the Failing Company's financial status is necessary) from the commencement date of the management procedure (which may be extended by one additional month by resolutions of the Creditor Committee).

The Financial Creditors who attend the first meeting of the Creditor Committee may resolve, among other things: (i) commencement of the management procedure, (ii) composition of the Financial Creditors who will participate in such management procedure and (iii) declaration of moratorium mentioned above.

Once the management procedure commences, the main Creditor Financial Institution is required to prepare the corporate restructuring plan of the Failing Company considering the investigation results of the Failing Company's financial status and submit such plan to the Creditor Committee for approval thereof. The corporate restructuring plan may include, among other things, the matters regarding rescheduling of debt owed by the Failing Company, provision of new credit and the business restructuring plan of the Failing Company. If the corporate restructuring plan is not approved by the date the moratorium period ends, the Creditor Committee's management of the Failing Company shall be deemed to have terminated.

The resolution at the Creditor Committee is generally passed by an approval of the Financial Creditors representing at least 75 per cent. of the outstanding credit to the Failing Company of the Financial Creditors who constitute the Creditor Committee; provided that if a single Financial Creditor holds at least 75 per cent. of the outstanding credit, the resolution shall be passed by an approval of not less than 40 per cent. of the total number of the Financial Creditors who constitute the Creditor Committee, including such single Financial Creditor. An additional approval of the Financial Creditors holding interests in 75 per cent. or more of the total amount of the secured claims owned by the Financial Creditors constituting the Creditor Committee against the Failing Company is required with respect to the debt rescheduling of the Failing Company.

A Financial Creditor which has opposed the resolutions of the Creditor Committee in respect of the commencement of management of the Failing Company by the Creditor Committee, establishment of or amendment to the corporate restructuring plan, extension of management procedure, the rescheduling of claims or provision of new credit or any other matter the Credit Committee determines to include by resolution (the "**Opposing Financial Creditor**") may, within seven days of such resolutions, request the main Creditor Financial Institutions to purchase its outstanding claims against the Failing Company, stating the type and number of claims. The Financial Creditors that have approved such resolutions (the "**Approving Financial Creditors**") shall jointly purchase such claims within six months of such request.

The purchase price and terms of such purchase shall be determined by mutual agreement of the Approving Financial Creditors and the Opposing Financial Creditor. Pending the agreement of such

matters, the payments shall be made at a provisional price, and adjusting payments made once an agreement has been reached. If no such agreement is reached, then such matters shall be determined by the coordination committee established under the CRPA.

The Act on the Structural Improvement of the Financial Industry

The ASIF provides regulations regarding the improvement of insolvent financial institutions. According to the ASIF, where any financial institution's financial status does not meet certain standards such as its capital adequacy ratio or any financial institution's financial status falls below certain standards due to the occurrence of a major financial scandal or accrual of non-performing loans, the FSC, in order to protect the financial institution from becoming insolvent and help the financial institution manage its business soundly, may recommend, request or order the financial institution concerned or the officers of such financial institution to implement the following measures or order them to furnish its implementation plan, including but not limited to:

(a) admonition, warning, reprimand, or pay reduction in relation to the financial institution concerned and its executive officers and employees;

(b) capital increase or capital deduction, disposal of property holdings or reduction in the number of its branches and downsizing;

(c) ban on the acquisition of such assets as claims with high risks of default or assets prone to price fluctuations, or restrictions on the receiving of deposits at exorbitantly high interest rates;

(d) suspension of officers' duties or appointment of managers to act on behalf of officers;

(e) amortisation or consolidation of stocks;

(f) suspension of all or part of its business;

(g) merger with or assumption of a financial institution;

(h) business transfers or contract transfers pertaining to financial transactions such as deposits or loans (hereinafter referred to as "**contract transfers**"); and

(i) other measures equivalent to those listed in paragraphs (a) to (h) above, which are deemed necessary to improve any financial institution's financial soundness (collectively, "**timely corrective measures**").

In addition, managers may be appointed by the FSC pursuant to the ASIF in connection with any timely corrective measures requested by the FSC. Such managers may have the authority to make any decisions within the scope of authority of the officer of whom the managers act on behalf. Such managers may also have the authority to manage and dispose of any assets and liabilities in connection with any decisions made by the FSC with respect to contract transfers.

When the FSC intends "**timely corrective measures**" to be taken, it shall in advance determine and notify the standards and contents of such measures.

Among the timely corrective measures, certain measures such as suspension of all business, transfer of all business, transfer of all contracts or orders on amortisation of the total stocks and any equivalent measures, may only be taken if (i) the financial institution is insolvent or (ii) its financial status falls considerably short of certain standards and is deemed to pose a clear credit risk or to clearly prejudice the rights and interests of depositors. In addition, the ASIF also stipulates measures to be taken by the Government to support insolvent institutions and financial institutions merging with the insolvent financial institutions.

According to the ASIF, the FSC, where any financial institution fails to execute any request or order regarding timely corrective measures, may, on the recommendation of the Governor of the FSS, order the officers of the financial institution concerned to suspend the execution of their business and may appoint managers to conduct the business on behalf of such officers.

In cases where:

(a) an insolvent financial institution fails to execute an order regarding timely corrective measures or is unable to execute such order;

(b) the merger of an insolvent financial institution under an order or arrangement given and made under the provisions of the ASIF fails to complete;

(c) where an insolvent financial institution is deemed incapable of either complying with orders or merging with or being acquired by another entity under the provisions of the ASIF due to its liabilities clearly exceeding its assets; or

(d) an insolvent financial institution prejudices depositors' rights and interests and becomes a credit risk after it has been unable to pay claims including deposits and repay borrowings due to its poor financial standing,

the FSC may take necessary measures such as a decision for the transfer of contracts, suspension of business for a certain period against the insolvent financial institution, and cancellation of the authorisation or permission of its business.

Where financial institutions have their authorisation or permission to carry on business cancelled pursuant to the above, they shall be dissolved. If a decision for the transfer of contracts mentioned above is made, the rights and duties of the insolvent financial institution under the contracts which are subject to transfer shall be transferred to the financial institution which takes over those contracts (hereafter referred to as the "**undertaking financial institution**") at the time when such decision is made (except mortgage backed by secured claims under a contract subject to transfer, which shall be transferred to the undertaking financial institutions at the time when the public announcement of such transfer of contracts is made). In relation to this, the insolvent financial institution and the undertaking financial institution shall announce the transfer of the contracts in two or more daily newspapers. When the announcement is made, the legal relations of creditors, debtors, pledgors or other interested persons to the insolvent financial institution shall remain the same with the undertaking financial institution.

The FSC, where any financial institution is dissolved or becomes bankrupt, may, notwithstanding the provisions of the Korean Commercial Code and the DRBA, recommend a liquidator or a receiver to be

appointed from among financial experts and officers or employees of the KDIC. In addition, when the FSC knows that the total amount of debt of a financial institution exceeds the total amount of its assets, it may make an application for declaration of bankruptcy.

General Laws Relating to the Mortgage Loan Business

There is no specific legislation in Korea for regulating mortgage loan businesses other than basic private laws, including, among others, the Civil Code, the Civil Enforcement Act and the Registration of Real Estate Act. Financial institutions carrying on mortgage loan businesses, however, are subject to specific laws that regulate such financial institutions, such as the Bank Act, the Credit Specialised Finance Business Act and the Insurance Business Act. Commercial banks, credit specialised finance companies and insurance companies must comply with the relevant laws and regulations in originating and servicing mortgage loans and are regulated by the FSC under such laws.

Keun-Mortgages

The most frequently used form of loan security for residential property in Korea is the *Keun*-mortgage, which differs from a more traditional mortgage. With more traditional mortgages, a mortgagee's rights are automatically extinguished upon satisfaction of the underlying debt, whereas with a *Keun*-mortgage, the mortgagee's rights are not automatically extinguished upon satisfaction of the underlying debt. Instead, a mortgagee's rights are extinguished when the term of the *Keun*-mortgage agreement expires or if terminated earlier by the parties. Furthermore, the amount of the secured claim may be increased or decreased within the maximum amount as agreed upon by the mortgagee and the borrower of the secured claim (which is duly registered in the relevant real estate registry) during the term of the *Keun*-mortgage agreement. Since the mortgage rights and obligations are not automatically extinguished, the contracting parties are not required to enter into and record separate mortgage agreements each time a subsequent loan is made.

Keun-mortgages can be enforced in the same manner as various other real estate rights, including enforcement through petition for auction and entitlement to distribution in accordance with recorded priorities.

Korea is a "race" jurisdiction that assigns claim priority in chronological order according to the date of the registration of the mortgages and other security interests. Statutory liens are exceptions to this rule and may rank senior to prior recorded mortgages and other security interests.

General Description of Judicial Auction Laws in Korea

General

A mortgagee of record, a creditor in possession of a validly notarised promissory note or a judgement creditor may apply for a court auction of real estate. All foreclosures of real estate based on general claims or mortgage loans must be carried out through a judicial auction. Nevertheless, financial institutions generally use mortgage agreements which provide that, if a mortgagor consents, creditors may dispose of the mortgaged property by any method that is reasonable and customary, with the proceeds of such disposition being applied to satisfy its secured obligations. The procedures for auction are governed by the Civil Enforcement Act.

Requirements for Exercising Remedies

The *Gyongmae Shinchung,* or petition for auction, must be filed with the relevant court having jurisdiction over the district in which the real estate is located. The petition for auction must set forth supporting facts and grounds for requesting an auction, and must be accompanied by various documents including a copy of the mortgage agreement, a certified copy of the court register relevant to the subject property and a registration tax payment certificate.

The court will order an appraisal to determine the value of the real estate. Fees and expenses incurred in connection with an auction generally amount to between 2 per cent. and 3 per cent. of the real estate's appraised value. In addition, a registration tax of 0.2 per cent. of the claim amount and an educational surtax of 20 per cent. of the registration tax must be paid to the relevant municipal office. This registration tax is separate and distinct from the registration tax imposed on the transfer of title to the property.

Procedures for Auction

Once a petition for auction has been filed, the court will examine the petition and the supporting documents and will issue its order to commence the auction (usually within two to three days of the petition). Typically within seven days, the court order for auction is then entered in the Deungki-Bu (real estate registry) of the subject property.

The first auction date is generally set approximately five to six months from the date of petition filing. In the absence of any objection filed by the mortgagor or any other interested party, the auction will take place on the date set by the court. On the day of the auction, bidders must deposit 10 per cent. of the minimum price set by the court with the court unless the court decides otherwise. Distribution of auction proceeds will take place approximately 70 to 80 days after the auction date. However, it is not common that the property is sold at a first auction, thus necessitating subsequent auctions. A subsequent auction date is set for a date approximately one month following the first auction date.

Each time an auction closes without a successful bid, the minimum price is lowered by 20 per cent. to 30 per cent.

There are no restrictions preventing the mortgagee of a property to be auctioned from bidding in the auction for such property. A mortgagee may decide to purchase such property if the minimum auction price falls below a certain level. If a mortgagee is selected as the successful bidder, then such mortgagee may off-set its claim amount against its bidding price. However, the mortgagee purchaser must still pay in cash the amount sufficient to cover the senior claims and statutory liens having priority over its claim.

Priority of Distribution

Although priority among mortgages is determined by the chronological order of their registration with the court, certain statutory liens and expenses (arising by operation of law) are given priority over

registered mortgages. The statutory liens and expenses that have priority over mortgage claims which are registered prior to the due date of tax claims on the auctioned real estate are as follows (listed in the order of priority):

(a) Auction expenses;

(b) Refunds of key money deposits for small leases (see "*—Super-Priority Right for Small Leases*") *up* to the statutory limit on residential properties (see "*—Key Money Deposit Protection*" below*);* back wages of the mortgagor's employees for the last three months of employment, severance payments accrued within the last three years and accident compensation allowances under the Labour Standards Act;

(c) Certain national taxes and additional dues thereon (e.g., inheritance tax, gift tax and asset revaluation tax) and local taxes and additional dues thereon (e.g., property tax, aggregate real estate tax, city planning tax and common facility tax) directly connected with the auctioned real estate; and

(d) Mortgage claims and *Chonsei-kwon* claims registered prior to the due date of tax claims/refund of key money deposit having Priority Rights for residential properties (see "*—Key Money Deposit* Protection" below).

For mortgage claims registered after the due date of tax claims on the auctioned real estate, other national and local taxes (lower in priority than those identified in paragraph (c) above) would have priority over the mortgage claims.

With respect to the priority among the mortgage claim, a *Chonsei-kwon* claim and the refund of the key money deposit, priority is determined by chronological order of their registration with the court (in the case of a mortgage claim and a *Chonsei-kwon* claim) or satisfaction of all the requirements as specified in "*—Rights of Tenants of Residential Leases—Priority Right*" below (in the case of refund of the key money deposit) (see "*—Key Money Deposit Protection*" below for more detail).

Key Money Deposit Protection

It is common practice in Korea for tenants to pay a lump sum deposit, known as a "**key money deposit**", to be held by a landlord until the expiration of a lease. In the case of a *Chonsei-kwon*, the tenant is not required to make monthly rental payment during the lease term. Instead, the landlord is free to invest the key money deposit and keep the proceeds thereof in lieu of such monthly rental payment. Upon the termination or expiration of the lease, the landlord is required to return the key money deposit to the tenant without any interest thereon.

Chonsei-kwon

A *Chonsei-kwon* is a type of mortgage granted by a lessor to a lessee as security for the repayment of a lessee's key money deposit and also allows the lessee to occupy the leased premises until the later of the date on which (i) the lease term expires or (ii) the lessor returns the key money deposit to the lessee. A *Chonsei-kwon* must be registered with the court. Upon such registration, the lessee with the *Chonsei-kwon* is afforded similar protections as a mortgagor and can initiate foreclosure proceedings

against the lessor/debtor upon the expiration or termination of the lease. Typically, a *Chonsei-kwon* is granted on the building and not on the land. With respect to priority between a mortgage claim and a *Chonsei-kwon* claim, priority is determined by chronological order of their registration with the court.

Rights of Tenants of Residential Leases

Under the Residential Tenant Protection Act, there are three levels of protection that are afforded to tenants of residential leases (even if they are not registered with the real estate registry) for their key money deposits: the Super-Priority Rights for Small Leases, the priority right (the "**Priority Right**") and the holdover right (the "**Holdover Right**").

Super-Priority Right for Small Leases

In order to secure a Super-Priority Right for Small Leases, the tenant must take possession of the relevant property ("**Occupancy Requirement**") and file his relocation to the property with the local government office ("**Move-in Report Requirement**"). In addition, the key money deposits must be equal to or less than the following amounts (depending on where the property is located): (a) Won 165 million for Seoul, (b) Won 145 million for "**concentration control region**" (as defined in Seoul Metropolitan Area Readjustment Planning Act but other than Seoul), Sejong Metropolitan Autonomous City, Yongin, Hwaseong and Gimpo, (c) Won 85 million for other metropolitan areas (such as Busan, Daegu etc.), Ansan, Gwangju, Paju, Icheon and Pyeongtaek, and (d) Won 75 million for other areas. The tenants satisfying the above requirements have super-priority rights in terms of refund of key money deposits over all mortgages and other security interests on the property, for the following amounts out of the total amount of the key money deposit: (a) Won 55 million for Seoul, (b) Won 48 million for "**concentration control region**" (other than Seoul), Sejong Metropolitan Autonomous City, Yongin, Hwaseong and Gimpo, (c) Won 28 million for other metropolitan areas (such as Busan, Daegu etc.), Ansan, Gwangju, Paju, Icheon and Pyeongtaek, and (d) Won 25 million for other areas; provided that such amounts do not exceed one-half of the sale or auction price of the relevant property.

Priority Right

The requirements for a Priority Right are the Occupancy Requirement and Move-in Report Requirement, plus an additional requirement that the lease document be fixed date-stamped by a notary public, post office, or other government office. Upon the perfection of the Priority Right, the tenant has priority in terms of the refund of the entire key money deposit over all mortgages that are registered after the date on which all of the requirements are satisfied.

Holdover Right

The requirements for a Holdover Right are the Occupancy Requirement and the Move-in Report Requirement. Upon the perfection of the Holdover Right, the tenant has the following rights: (i) if there are no other mortgages perfected ahead of the tenant's rights at the time of auction sale, then the tenant is deemed to have a Holdover Right, in which case the acquirer of the relevant property pursuant to an auction must assume all of the terms and conditions of the lease, including the key money deposits; and (ii) if there is any mortgage perfected ahead of the tenant's rights, then the tenant is not deemed to have Holdover Right, in which case the acquirer of the relevant property pursuant to an auction need not assume any of the terms and conditions of the lease, including the key money deposits.

Generally, if a tenant has a Holdover Right, the acquirer of the relevant property will reduce the purchase price by the amount of the Holdover Right which it is obliged to assume. In the case that a tenant does not have a Holdover Right but still refuses to vacate the premises after acquisition from an auction sale, the acquirer may take the following actions to evict the tenant.

Within six months after the acquirer has paid the purchase price for the property, the acquirer may obtain an eviction order from the court that handled the auction process to evict the tenant. If the tenant refuses to vacate the premises, the tenant may be forcibly removed by court appointed persons. Following the six month period, the acquirer has to initiate an eviction proceeding, which is separate from the auction proceeding and handled by a different court. In such case, it can take from six months to one year to obtain a court order to evict the tenant. As such, it is more efficient and less time consuming for the acquirer to obtain the eviction order during the six-month period following the payment of the purchase price. Moreover, the acquirer may seek an injunction to enjoin the tenant from transferring the lease to a third party.

Objections

An interested party, including the mortgagor, may file an objection to an auction at any time prior to a successful bidder paying the balance of its bid amount. Such parties may also file an objection to the declaration of the successful bidder within one week of such declaration. Objections can be made based on either procedural (e.g., irregularities or defects in the auction procedure) or substantive (e.g., defects in the title of the property or the underlying obligation) grounds. An objecting party may apply for an injunction (to delay the auction) by filing an action challenging the validity of the mortgagee's underlying claim and posting a bond that is usually equivalent to all or substantial part of the amount claimed by the mortgage in the auction petition.

Enforcement of English or New York Judgements in Korea

A judgement duly obtained in the courts of England or New York will be recognised by the Korean courts without re-examination of the merits of the case if:

(a) such judgement was finally and conclusively given by a court having valid jurisdiction in accordance with international jurisdiction principles under Korean law and applicable treaties;

(b) the Issuer received service of process, other than by publication or similar means, in sufficient time to enable such party to prepare its defence in conformity with the laws of England or the State of New York, as applicable (or in conformance with the laws of Korea if it were made to the Issuer in Korea) or responded to the action without being served with process;

(c) such judgement is not contrary to the public policy of Korea; and

(d) (i) Judgements of the courts of Korea are accorded reciprocal treatment under the laws of England or the State of New York or (ii) Judgements of the courts of Korea are not treated in England or the State of New York in a manner which is considerably prejudicial to their recognition and their treatment is substantially the same as treatment by the courts of Korea of the Judgements obtained in England or the State of New York in material respects.

TAXATION

Korean Taxation

The information provided below does not purport to be a complete summary of Korean tax law and practice currently applicable. Prospective investors who are in any doubt as to their tax position should consult with their own professional advisers.

The taxation of non-resident individuals and non-Korean corporations ("**Non-Residents**") generally depends on whether they have a "Permanent Establishment" (as defined under Korean law and applicable tax treaty) in Korea to which the relevant Korean-sourced income is attributable or with which such relevant Korean-sourced income is effectively connected. Non-Residents without such a Permanent Establishment in Korea are taxed in the manner described below. Non-Residents with such Permanent Establishment are taxed in accordance with different rules.

Income Tax and Corporation Tax on Interest

Interest on the Covered Bonds paid to Non-Residents (excluding payments to their Permanent Establishment in Korea) is exempt from income tax and corporation tax (whether payable by withholding or otherwise) pursuant to the Special Tax Treatment Control Law (the "**STTCL**"), so far as the Covered Bonds fall within "foreign currency denominated bonds" under the STTCL and the issuance of the Covered Bonds is deemed to be an overseas issuance under the STTCL. The term "foreign currency denominated bonds" in this context is not defined under the STTCL. In this regard, the Korean tax authority issued a ruling on 1 September 1990 to the effect that "Notes Issuance Facility, USCP, Euro CP and Banker's Acceptance, etc." are not treated as "foreign currency denominated bonds".

If not exempt under the STTCL, the rate of income tax or corporation tax applicable to interest or any premium paid on the Covered Bonds, for a Non-Resident without a Permanent Establishment in Korea, is currently 14.0% In addition, a local income tax is imposed at the rate of 10.0% of the income tax or corporation tax (raising the total tax rate to 15.4%).

The tax is withheld by the payer of the interest or, where the transfer takes place before interest payment is made, by the purchaser of the instrument, or a designated withholding agent of such payer or purchaser.

The tax rates may be reduced or exempted by applicable tax treaty, convention or agreement between Korea and the country of the recipient of the interest. The relevant tax treaties are discussed below.

Capital Gains Tax

Korean tax laws currently exclude from Korean taxation gains made by a Non-Resident without a Permanent Establishment in Korea from the sale of the Covered Bonds to a Non-Resident (other than to its Permanent Establishment in Korea). In addition, capital gains earned by a Non-Resident with or without a Permanent Establishment from the transfer outside Korea of the Covered Bonds are currently exempt from taxation by virtue of the STTCL, provided that the issuance of the Covered Bonds is deemed to be an overseas issuance.

In the absence of an applicable tax treaty or any other special tax laws eliminating capital gains tax, the applicable rate of tax is the lower of 11.0% of the gross realisation proceeds (the "**Gross Realisation Proceeds**") and (subject to the production of satisfactory evidence of the acquisition cost and certain direct transaction costs of the relevant Covered Bonds) 22.0% of the gain made. The gain is calculated as the Gross Realisation Proceeds less the acquisition cost and certain direct transaction costs. If such evidence shows that no gain (or a loss) was made on the sale, no Korean tax would be payable. There is no provision under the relevant Korean law for offsetting gains and losses or otherwise aggregating transactions for the purpose of computing the net gain attributable to sales of securities issued by Korean companies.

The purchaser or any other designated withholding agent of Covered Bonds is obliged under Korean law to withhold the applicable amount of Korean tax and make payment thereof to the relevant Korean tax authority. Unless the seller can claim the benefit of an exemption from the tax under an applicable tax treaty or in the absence of the seller producing satisfactory evidence of his acquisition cost and certain direct transaction costs in relation to the Covered Bonds being sold, the purchaser or such withholding agent must withhold an amount equal to 11.0% of the Gross Realisation Proceeds. Any amounts withheld by the purchaser or such withholding agent must be paid to the relevant Korean tax authority no later than the tenth day of the month following the month in which the sale of the relevant Covered Bonds occurred. Failure to transmit the withheld tax to the Korean tax authorities in time technically subjects the purchaser or the withholding agent to penalties under Korean tax laws and a Non-Resident who is liable for payment of any Korean tax on gains, as a purchaser or the withholding agent who is obliged to withhold such tax, is subject to the Korean tax authorities seeking enforcement through attachment of, or other legal proceedings against, payments due to it from its Korean investments and to enforcement against the assets or revenues of any of the Non-Resident's branch or representative offices in Korea.

Inheritance Tax and Gift Tax

Korean inheritance tax is imposed upon (a) all assets (wherever located) of the deceased if at the time of his death he was a Korean resident (as such term is defined under Inheritance Tax and Gift Tax Law); and (b) all property located in Korea which passes on death (irrespective of the residence of the deceased). Gift tax is imposed in similar circumstances to the above. The taxes are imposed if the value of the relevant property is above a certain limit and vary from 10% to 50% depending on the value of the relevant property and the identity of the parties involved.

Under the Inheritance Tax and Gift Tax Law, notes issued by Korean corporations are deemed located in Korea irrespective of where they are physically located or by whom they are held.

Stamp Duty and Securities Transaction Tax

No stamp, issue or registration duties will be payable in Korea by the Covered Bondholders in connection with the issue of the Covered Bonds except for a nominal amount of stamp duty on certain documents executed in Korea. A securities transaction tax will not be imposed on the transfer of the Covered Bonds.

Tax Treaties

At the date of this Offering Circular, Korea has tax treaties with, *inter alios*, Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Republic of Italy ("**Italy**"), Japan, Luxembourg, the Netherlands, New Zealand, Norway, Singapore, Sweden, Switzerland, the United Kingdom and the United States of America, under which the rate of withholding tax on interest is reduced, generally to between 5% and 15% (including local income tax), and the tax on capital gains is often eliminated.

Each Covered Bondholder should enquire for itself whether it is entitled to the benefit of a tax treaty with respect to this transaction. It is the responsibility of the party claiming the benefits of a tax treaty in respect of interest payments to file with the Issuer, the purchaser or the withholding agent, as applicable, a certificate as to its residence. In the absence of sufficient proof, the Issuer, the purchaser or the withholding agent, as applicable, must undertake to withhold taxes in accordance with the above discussion.

In order to claim the benefit of a reduced tax rate or tax exemption available under the applicable tax treaties, a Non-Resident holder must submit to the payer of such Korean-sourced income an application (for reduced withholding tax rate, "application for entitlement to reduced tax rate" and in the case of exemption from withholding tax, "application for tax exemption" under a tax treaty along with a certificate of the non-resident holder's tax residence issued by a competent authority of the Non-Resident holder's residence country) as the beneficial owner ("**BO Application**"), provided that if such tax exemption is being sought by an entity for an amount that is 1 billion Won or more (including where the aggregate amount exempted within one year from the last day of the month in which the payment was made, is 1 billion Won or more), in addition to the certificate of tax residence issued by a competent authority of the Non-Resident holder's residence country, it will also be required to submit the names and addresses of all of the members of board of directors, the identities and shareholding percentages of all of shareholders (provided that if there are more than 100 shareholders, the Non-Resident holder may instead provide a statement showing the total number of shareholders and aggregate investment amount from each country), and financial statements (including appendices), tax returns or audit reports for the most recent three years submitted to tax authorities of the country of residence (or, if the entity has been in existence for less than three years, the aforementioned documents since incorporation). Such application should be submitted to the withholding agent prior to the payment date of the relevant income. Subject to certain exceptions, where the relevant income is paid to an overseas investment vehicle (which is defined as an organisation established in a foreign jurisdiction that manages funds collected through investment solicitation by way of acquiring, disposing of, or otherwise investing in proprietary targets and then distributes the outcome of such management to investors, "**OIV**") and such OIV is not the beneficial owner of such income, a beneficial owner claiming the benefit of an applicable tax treaty with respect to such income must submit its BO Application to such OIV, which must submit an OIV report and a schedule of beneficial owners (together with the applicable BO Application and certificate of the non-resident holder's tax residence in case of exemption from withholding tax), to the withholding agent prior to the payment date of such income. In the case of an application for tax exemption, the withholding agent is required to submit such application (together with the applicable OIV report in the case of income paid to an OIV) to the relevant district tax office by the ninth day of the month following the date of the payment of such income. If there is no change in the contents of such application or OIV report, it is not required to submit such application or OIV report again within three years thereafter. Effective from

1 January 2022, an OIV is deemed to be a beneficial owner of the Korean source income if (i) under the applicable tax treaty, the OIV bears tax liabilities in the country in which it is established; and (ii) the Korean source income is eligible for the treaty benefits under the tax treaty. The benefits under a tax treaty between Korea and the country of such OIV's residence will apply with respect to the relevant income paid to such OIV, subject to certain application requirements as prescribed by the Corporate Income Tax Law or Individual Income Tax Law. However, this requirement does not apply to exemptions under Korean tax law.

At present, Korea has not entered into any tax treaties regarding its inheritance tax or gift tax.

Certain U.S. Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Covered Bonds by a U.S. Holder as defined below (except that the discussion under "Fungible Issue" applies to all holders). This summary does not address the material U.S. federal income tax consequences of every type of Covered Bond which may be issued under the Programme and the relevant Pricing Supplement may contain additional or modified disclosure concerning the material U.S. federal income tax consequences relevant to such type of Covered Bond as appropriate. This summary deals only with purchasers of Covered Bonds in their initial offering at their initial offering price and that will hold the Covered Bonds as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Covered Bonds by particular investors (including consequences under the alternative minimum tax or net investment income tax), and does not address state, local, non-U.S. or other tax laws (such as estate or gift tax laws). This summary also does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Covered Bonds as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, investors holding the Covered Bonds in connection with a trade or business conducted outside the United States, U.S. citizens or lawful permanent residents living abroad, U.S. holders that are required to take certain amounts into income no later than the time when such amounts are reflected on an applicable financial statement or investors whose functional currency is not the U.S. dollar). Moreover, the summary deals only with Covered Bonds with a term of 30 years or less. The U.S. federal income tax consequences of owning Covered Bonds with a longer term will be discussed in the applicable Pricing Supplement.

As used herein, the term "U.S. Holder" means a beneficial owner of Covered Bonds that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States; (ii) a corporation created or organised under the laws of the United States, any state thereof or the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds Covered Bonds will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their tax adviser concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Covered Bonds by the partnership.

This summary is based on the tax laws of the United States including the Internal Revenue Code of 1986, as amended (the "**Code**"), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as on the income tax treaty between the United States and the Republic of Korea (the "**Treaty**") all as of the date hereof and all subject to change at any time, possibly with retroactive effect. No rulings have been requested from the U.S. Internal Revenue Service (the "**IRS**") and there can be no guarantee that the IRS would not challenge, possibly successfully, the treatment described below.

Bearer Covered Bonds are not being offered to U.S. Holders. A U.S. Holder who owns a Bearer Covered Bond may be subject to limitations under United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Code. This discussion does not otherwise address Bearer Covered Bonds.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF THE COVERED BONDS, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Payments of Interest

General

Interest on a Covered Bond, whether payable in U.S. dollars or a single currency other than U.S. dollars (a "**foreign currency**"), other than interest on a "Discount Covered Bond" that is not "qualified stated interest" (each as defined below under "*—Original Issue Discount—General*"), will generally be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on such holder's method of accounting for U.S. federal income tax purposes, reduced by the allocable amount of amortisable bond premium, subject to the discussion below. Interest paid by the Issuer on the Covered Bonds and original issue discount ("**OID**"), if any, accrued with respect to the Covered Bonds (as described below under "*—Original Issue Discount*") generally will constitute income from sources outside the United States.

Effect of Korean Withholding Taxes

As discussed in "*Taxation—Korean Taxation*", under current law payments of interest in respect of the Covered Bonds may be subject to Korean withholding taxes. As discussed under "*Terms and Conditions of the Covered Bonds—Taxation*", the Issuer may be liable for the payment of additional

amounts to U.S. Holders so that U.S. Holders receive the same amounts they would have received had no Korean withholding taxes been imposed. For U.S. federal income tax purposes, U.S. Holders will be treated as having actually received the amount of Korean taxes withheld by the Issuer with respect to a Covered Bond, and as then having actually paid over the withheld taxes to the Korean taxing authorities. As a result, the amount of interest income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of interest or OID may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Issuer with respect to the payment.

Subject to certain complex limitations, a U.S. Holder may be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for Korean income taxes withheld (at a rate not exceeding any applicable Treaty rate). An election to deduct creditable foreign taxes instead of claiming foreign tax credits must be applied to all creditable foreign taxes paid or accrued in the U.S. Holder's taxable year. Interest generally will constitute "passive category income" for purposes of the foreign tax credit. The rules governing foreign tax credits are complex and recently issued final U.S. Treasury Regulations ("**Final FTC Regulations**") have imposed additional requirements that must be met for a foreign tax to be creditable, and the Issuer does not intend to determine whether such requirements will be met in case non-U.S. taxes are withheld (if any). However, recent notices (the "**Notices**") from the IRS indicate that the U.S. Treasury and the IRS are considering proposing amendments to the Final FTC Regulations and allow taxpayers, subject to certain conditions, to defer the application of many aspects of the Final FTC Regulations until the date when a notice or other guidance withdrawing or modifying this temporary relief is issued (or any later date specified in such notice or other guidance). Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of Korean withholding taxes and the creditability (or deductibility) of such taxes as well as any applicable limitations in their particular circumstances.

Pre-Issuance Accrued Interest

If a portion of the price paid for a Covered Bond is attributable to an amount of interest accrued prior to the date the Covered Bond is issued (the "**pre-issuance accrued interest**"), a portion of the first interest payment on the Covered Bonds equal to the amount of the pre-issuance accrued interest may be treated as a nontaxable return of the pre-issuance accrued interest. This discussion assumes that the first interest payment on Covered Bonds with pre-issuance accrued interest will be so treated, and references to interest in the remainder of this discussion exclude pre-issuance accrued interest. This discussion assumes that in determining the issue price of a Covered Bond, there will be excluded an amount equal to the pre-issuance accrued interest. Pre-issuance accrued interest not included in income should not form part of any amortisable bond premium (as described below under "*—Covered Bonds Purchased at a Premium*"). A U.S. Holder's tax basis in a Covered Bond will be reduced by any nontaxable return of pre-issuance accrued interest. This discussion does not otherwise address the treatment of pre-issuance accrued interest, and U.S. Holders should consult their tax advisers concerning the U.S. federal income tax treatment of pre-issuance accrued interest, including in the case of a foreign currency Covered Bond, the potential recognition of exchange gain or loss upon receipt of amounts otherwise treated as a nontaxable return of pre-issuance accrued interest.

Original Issue Discount

General

The following is a summary of the principal U.S. federal income tax consequences of the ownership of Covered Bonds issued with OID. The following summary does not discuss Covered Bonds that are characterised as contingent payment debt instruments for U.S. federal income tax purposes. In the event that the Issuer issues contingent payment debt instruments the applicable Pricing Supplement may describe the material U.S. federal income tax consequences thereof.

A Covered Bond, other than a Covered Bond with a term of one year or less (a "**Short-Term Covered Bond**"), will be treated as issued with OID (a "**Discount Covered Bond**") if the excess of the Covered Bond's "stated redemption price at maturity" over its issue price is equal to or more than a *de minimis* amount (0.25% of the Covered Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity). An obligation that provides for the payment of amounts other than qualified stated interest before maturity (an "**instalment obligation**") will be treated as a Discount Covered Bond if the excess of the Covered Bond's stated redemption price at maturity over its issue price is equal to or greater than 0.25% of the Covered Bond's stated redemption price at maturity multiplied by the weighted average maturity of the Covered Bond. A Covered Bond's weighted average maturity is the sum of the following amounts determined for each payment on a Covered Bond (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Covered Bond's stated redemption price at maturity. Generally, the issue price of a Covered Bond will be the first price at which a substantial amount of Covered Bonds included in the issue of which the Covered Bond is a part is sold to persons other than bond houses, brokers, or similar persons or organisations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Covered Bond is the total of all payments provided by the Covered Bond that are not payments of "qualified stated interest". A qualified stated interest payment generally is any one of a series of stated interest payments on a Covered Bond that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under "*—Variable Interest Rate Covered Bonds*"), applied to the outstanding principal amount of the Covered Bond. Solely for the purposes of determining whether a Covered Bond has OID, the Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Covered Bond, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Covered Bond.

U.S. Holders of Discount Covered Bonds must include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Covered Bonds. The amount of OID includible in income by a U.S. Holder of a Discount Covered Bond is the sum of the daily portions of OID with respect to the Discount Covered Bond for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Discount Covered Bond. The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Covered Bond may be of any length selected by the U.S. Holder and may vary in length over the term of the Covered Bond as long as (i) no accrual period is longer than one year; and (ii) each scheduled payment of interest or principal on the

Covered Bond occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Covered Bond's adjusted issue price at the beginning of the accrual period and the Discount Covered Bond's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Covered Bond allocable to the accrual period. The "adjusted issue price" of a Discount Covered Bond at the beginning of any accrual period is the issue price of the Covered Bond increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Covered Bond that were not qualified stated interest payments.

Acquisition Premium

A U.S. Holder that purchases a Discount Covered Bond for an amount less than or equal to the sum of all amounts payable on the Covered Bond after the purchase date, other than payments of qualified stated interest, but in excess of its adjusted issue price (any such excess being "**acquisition premium**"), and that does not make the election described below under "*—Election to Treat All Interest as Original Issue Discount*", is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder's adjusted basis in the Covered Bond immediately after its purchase over the Covered Bond's adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Covered Bond after the purchase date, other than payments of qualified stated interest, over the Covered Bond's adjusted issue price.

Short-Term Covered Bonds

In general, an individual or other cash basis U.S. Holder of a Short-Term Covered Bond is not required to accrue OID (as specially defined below for the purposes of this paragraph) for U.S. federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Covered Bonds on a straight-line basis or, if the U.S. Holder so elects, under the constant-yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realised on the sale or retirement of the Short-Term Covered Bond will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Covered Bonds will be required to defer deductions for interest on borrowings allocable to Short-Term Covered Bonds in an amount not exceeding the deferred income until the deferred income is realised.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Covered Bond are included in the Short-Term Covered Bond's stated redemption price at maturity. A U.S. Holder may elect to determine OID on a Short-Term Covered Bond as if the Short-Term Covered Bond had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Covered Bond. This election will apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Market Discount

A Covered Bond, other than a Short-Term Covered Bond, generally will be treated as purchased at a market discount (a "**Market Discount Covered Bond**") if the Covered Bond's stated redemption price at maturity or, in the case of a Discount Covered Bond, the Covered Bond's "revised issue price", exceeds the amount for which the U.S. Holder purchased the Covered Bond by at least 0.25% of the Covered Bond's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Covered Bond's maturity (or, in the case of a Covered Bond that is an instalment obligation, the Covered Bond's weighted average maturity). If this excess is not sufficient to cause the Covered Bond to be a Market Discount Covered Bond, then the excess constitutes "*de minimis* market discount". For this purpose, the "revised issue price" of a Covered Bond generally equals its issue price, increased by the amount of any OID that has accrued on the Covered Bond and decreased by the amount of any payments previously made on the Covered Bond that were not qualified stated interest payments.

Any gain recognised on the sale or retirement of a Market Discount Covered Bond (including any payment on a Covered Bond that is not qualified stated interest) generally will be treated as ordinary income to the extent of the accrued market discount on the Covered Bond. Alternatively, a U.S. Holder of a Market Discount Covered Bond may avoid such treatment by electing to include market discount in income currently over the life of the Covered Bond. This election applies to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year for which the election is made. This election may not be revoked without the consent of the IRS.

A U.S. Holder of a Market Discount Covered Bond that does not elect to include market discount in income currently may be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Covered Bond. Such interest is deductible when paid or incurred to the extent of income from the Market Discount Covered Bond for the year. If the interest expense exceeds such income, such excess is currently deductible only to the extent that such excess exceeds the portion of the market discount allocable to the days during the taxable year on which such Covered Bond was held by the U.S. Holder.

Market discount will accrue on a straight-line basis unless the U.S. Holder elects to accrue the market discount on a constant-yield method. This election applies only to the Market Discount Covered Bond with respect to which it is made and is irrevocable.

Variable Interest Rate Covered Bonds

Covered Bonds that provide for interest at variable rates ("**Variable Interest Rate Covered Bonds**") generally will bear interest at a "qualified floating rate" and thus will be treated as "variable rate debt instruments" under Treasury regulations governing accrual of OID. A Variable Interest Rate Covered Bond will qualify as a "variable rate debt instrument" if (a) its issue price does not exceed the total noncontingent principal payments due under the Variable Interest Rate Covered Bond by more than a specified *de minimis* amount, (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates; (ii) a single fixed rate and one or more qualified floating rates; (iii) a single objective rate; or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate; and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

A "qualified floating rate" is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Covered Bond is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Covered Bond (e.g. two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Covered Bond's issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e. a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate.

An "objective rate" is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g. one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Issuer (or a related party) or that is unique to the circumstances of the Issuer (or a related party), such as dividends, profits or the value of the Issuer's stock (although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Issuer). Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Covered Bond will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Covered Bond's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Covered Bond's term. A "qualified inverse floating rate" is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Covered Bond provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Covered Bond's issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a "current value" of that rate. A "current value" of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than 1 year following that first day.

If a Variable Interest Rate Covered Bond that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a "variable rate debt instrument", then any stated interest on the Covered Bond which is unconditionally payable in cash or property (other than debt instruments of the Issuer) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Covered Bond that provides for

stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a "variable rate debt instrument" generally will not be treated as having been issued with OID unless the Variable Interest Rate Covered Bond is issued at a "true" discount (i.e., at a price below the Covered Bond's stated principal amount) in excess of a specified *de minimis* amount. OID on a Variable Interest Rate Covered Bond arising from "true" discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate; or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Covered Bond.

In general, any other Variable Interest Rate Covered Bond that qualifies as a "variable rate debt instrument" will be converted into an "equivalent" fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Covered Bond. Such a Variable Interest Rate Covered Bond must be converted into an "equivalent" fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Covered Bond with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Covered Bond's issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Covered Bond is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Covered Bond. In the case of a Variable Interest Rate Covered Bond that qualifies as a "variable rate debt instrument" and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Covered Bond provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Covered Bond as of the Variable Interest Rate Covered Bond's issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Covered Bond is converted into an "equivalent" fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Covered Bond is converted into an "equivalent" fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the "equivalent" fixed rate debt instrument by applying the general OID rules to the "equivalent" fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Covered Bond will account for the OID and qualified stated interest as if the U.S. Holder held the "equivalent" fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the "equivalent" fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Covered Bond during the accrual period.

If a Variable Interest Rate Covered Bond, such as a Covered Bond the payments on which are determined by reference to an index, does not qualify as a "variable rate debt instrument", then the Variable Interest Rate Covered Bond will be treated as a contingent payment debt obligation. The

proper U.S. federal income tax treatment of Variable Interest Rate Covered Bonds that are treated as contingent payment debt obligations will be more fully described in the applicable Pricing Supplement.

Covered Bonds Purchased at a Premium

A U.S. Holder that purchases a Covered Bond for an amount in excess of its principal amount, or for a Discount Covered Bond, its stated redemption price at maturity, may elect to treat the excess as "amortisable bond premium", in which case the amount required to be included in the U.S. Holder's income each year with respect to interest on the Covered Bond will be reduced by the amount of amortisable bond premium allocable (based on the Covered Bond's yield to maturity) to that year. Any election to amortise bond premium will apply to all bonds (other than bonds the interest on which is excludable from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS. Special rules may limit the amortisation of premium in the case of Covered Bonds subject to early redemption. See also "*—Original Issue Discount—Election to Treat All Interest as Original Issue Discount*".

Election to Treat All Interest as Original Issue Discount

A U.S. Holder may elect to include in gross income all interest that accrues on a Covered Bond using the constant-yield method described above under "*—Original Issue Discount—General*", with certain modifications. For purposes of this election, interest includes stated interest, OID, *de minimis* OID, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium (described above under "*—Covered Bonds Purchased at a Premium*") or acquisition premium. This election generally will apply only to the Covered Bond with respect to which it is made and may not be revoked without the consent of the IRS. If the election to apply the constant-yield method to all interest on a Covered Bond is made with respect to a Market Discount Covered Bond, the electing U.S. Holder will be treated as having made the election discussed above under "*—Market Discount*" to include market discount in income currently over the life of all debt instruments having market discount that are acquired on or after the first day of the first taxable year to which the election applies. U.S. Holders should consult their tax advisers concerning the propriety and consequences of this election.

Sale or Retirement of Covered Bonds

A U.S. Holder generally will recognise gain or loss on the sale or retirement of a Covered Bond equal to the difference between the amount realised on the sale or retirement and the U.S. Holder's adjusted tax basis in the Covered Bond. A U.S. Holder's adjusted tax basis in a Covered Bond generally will be its cost, increased by the amount of any OID or market discount included in the U.S. Holder's income with respect to the Covered Bond and the amount, if any, of income attributable to *de minimis* OID and *de minimis* market discount included in the U.S. Holder's income with respect to the Covered Bond, and reduced by (i) the amount of any payments that are not qualified stated interest payments; and (ii) the amount of any amortisable bond premium or acquisition premium applied to reduce interest on the Covered Bond. The amount realised does not include the amount attributable to accrued but unpaid qualified stated interest, which will be taxable as interest income to the extent not previously included in income. Except to the extent described above under "*—Original Issue Discount—Market Discount*" or "*—Original Issue Discount—Short-Term Covered Bonds*" or attributable to changes in exchange

rates (as discussed below), gain or loss recognised on the sale or retirement of a Covered Bond will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period in the Covered Bonds exceeds one year.

Gain or loss realised by a U.S. Holder on the sale or retirement of a Covered Bond generally will be U.S. source. Therefore, a U.S. Holder may have insufficient foreign source income to utilise foreign tax credits attributable to any non-U.S. taxes imposed on a sale or disposition. Moreover, subject to the Notices described above, under the Final FTC Regulations, any Korean tax imposed on the sale or retirement of Covered Bonds by a U.S. Holder is unlikely to be treated as a creditable tax for the U.S. Holder. In addition, any Korean tax imposed on the sale or retirement of Covered Bonds will not be creditable to the extent that the U.S. Holder is entitled to an exemption under the Treaty or Korean law. The application of the foreign tax credit rules is very complex, and U.S. Holders should consult their own tax advisers regarding the U.S. federal income tax consequences if any non-U.S. taxes are imposed on a sale or retirement of Covered Bonds, including the creditability (or deductibility) of such taxes, the determination of the amount realised and any applicable limitations, in their particular circumstances.

Foreign Currency Covered Bonds

Interest

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognised by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognised with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

Upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Covered Bond) denominated in, or determined by reference to, a foreign currency, the accrual basis U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated

into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

See "**Payments of Interest**—*Effect of Korean Withholding Taxes*" above for a discussion regarding U.S. federal income tax implications if any Korean taxes are withheld on interest payments.

OID

OID for each accrual period on a Discount Covered Bond that is denominated in, or determined by reference to, a foreign currency, will be determined in the foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above. Upon receipt of an amount attributable to OID (whether in connection with a payment on the Covered Bond or a sale or retirement of the Covered Bond), a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

Market Discount

Market discount on a Covered Bond that is denominated in, or determined by reference to, a foreign currency, will be accrued in the foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder's taxable year). Upon the receipt of an amount attributable to accrued market discount, the U.S. Holder may recognise U.S. source exchange gain or loss (which will be taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognise, upon the sale or retirement of the Covered Bond, the U.S. dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

Bond Premium

Bond premium (including acquisition premium) on a Covered Bond that is denominated in, or determined by reference to, a foreign currency, will be computed in units of the foreign currency, and any such bond premium that is taken into account currently will reduce interest income (or OID) in units of the foreign currency. On the date when bond premium offsets interest income (or OID), a U.S. Holder may recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the amount offset multiplied by the difference between the spot rate in effect on the date of the offset, and the spot rate in effect on the date when the Covered Bonds were acquired by the U.S. Holder. A U.S. Holder that does not elect to take bond premium (other than acquisition premium) into account currently will recognise a market loss when the Covered Bond matures.

Sale or Retirement

As discussed above under "—*Sale or Retirement of Covered Bonds*", a U.S. Holder generally will recognise gain or loss on the sale or retirement of a Covered Bond equal to the difference between the

amount realised on the sale or retirement and its tax basis in the Covered Bond, in each case as determined in U.S. dollars. U.S. Holders should consult their own tax advisers about how to account for proceeds received on the sale or retirement of Covered Bonds that are not paid in U.S. dollars.

A U.S. Holder will recognise U.S. source exchange gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Covered Bond equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Covered Bond (as adjusted for amortised bond premium, if any) (i) on the date of sale or retirement; and (ii) the date on which the U.S. Holder acquired the Covered Bond. Any such exchange rate gain or loss will be realised only to the extent of total gain or loss realised on the sale or retirement (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest).

See "Sale or Retirement of Covered Bonds" above for a discussion regarding U.S. federal income tax implications if any non-U.S. taxes are imposed on disposition gains.

Fungible Issue

The Issuer may, without the consent of the Holders of outstanding Covered Bonds, issue additional covered bonds with identical terms. These additional covered bonds, even if they are treated for non-tax purposes as part of the same series as the original Covered Bonds, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, the additional covered bonds may be considered to have been issued with OID even if the original Covered Bonds had no OID, or the additional covered bonds may have a greater amount of OID than the original Covered Bonds. These differences may affect the market value of the original Covered Bonds if the additional covered bonds are not otherwise distinguishable from the original Covered Bonds.

Backup Withholding and Information Reporting

In general, payments of principal and interest and accruals of OID on, and the proceeds of a sale or retirement of, the Covered Bonds by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable U.S. Treasury regulations. Backup withholding will apply to these payments, including payments of accrued OID, if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or otherwise fails to comply with applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers about these rules and any other reporting obligations that may apply to the ownership or disposition of Covered Bonds, including requirements related to the holding of certain "specified foreign financial assets".

Reportable Transactions

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. Under the relevant rules, if the Covered Bonds are denominated in a foreign currency, a U.S. Holder may be required to treat a foreign currency exchange loss from the Covered Bonds as a reportable transaction if this loss exceeds the relevant threshold in the regulations (U.S.$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amounts for other non-individual U.S. Holders), and to disclose its investment by filing Form 8886 with the IRS. A

penalty in the amount of U.S.$10,000 in the case of a natural person and U.S.$50,000 in all other cases generally is imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. Prospective purchasers are urged to consult their tax advisers regarding the application of these rules.

UNITED STATES ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase of the Covered Bonds by employee benefit plans that are subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code or Similar Law, and entities or accounts whose underlying assets are considered to include "plan assets" of such plans, accounts and arrangements. A detailed description of the ERISA considerations relating to any Covered Bonds will be provided in the applicable Pricing Supplement.

ERISA imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) that are subject to Title I of ERISA, including entities and accounts such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "**ERISA Plans**") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan.

Each purchaser or subsequent transferee of any Covered Bonds (or any interest therein) will be deemed to represent, warrant and agree that if it is, or is acting on behalf of, a Benefit Plan Investor, (i) none of the Dealers, nor any of their respective affiliates, has provided any investment advice within the meaning of Section 3(21) of ERISA and regulations thereunder to the Benefit Plan Investor or any fiduciary or other person making a decision to invest the assets of the Benefit Plan Investor (the "**Fiduciary**") in connection with the Benefit Plan Investor's acquisition of the Covered Bonds; and (ii) the Fiduciary is exercising its own independent judgment in evaluating the transaction.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to Section 4975 of the Code, such as individual retirement accounts, and entities or accounts whose underlying assets are considered to include "plan assets" of such plans (together with ERISA Plans, "**Plans**")) and certain persons (defined as "parties in interest" or "disqualified persons" under ERISA and the Code, respectively) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction.

Prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if any Covered Bonds are acquired by a Plan with respect to which any of the Issuer, the Arranger, the Dealers or any of their respective affiliates are a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire the Covered Bonds and the circumstances under which such decision is made. Included among these exemptions are Prohibited Transaction Class Exemption ("PTCE") 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by a "qualified professional asset manager"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 95-60 (relating to investments by insurance company general accounts), and PTCE 96-23 (relating to transactions effected by in-house asset managers) and Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code, regarding certain transactions with non-fiduciary service providers for "adequate consideration". There can be no assurance that any exemption will be available with respect to any particular transaction involving the Covered Bonds, or

that, if an exemption is available, it will cover all aspects of any particular transaction. By its purchase of any Covered Bonds (or an interest in the Covered Bonds) whether in the case of the initial purchase or in the case of a subsequent transfer, the purchaser thereof will be deemed to have represented and agreed that either (i) it is not and is not acting on behalf of, and for so long as it holds the Covered Bonds (or an interest in the Covered Bonds), will not be and will not be acting on behalf of, a Plan, an entity whose underlying assets include the assets of any such Plan, or a governmental or other employee benefit plan which is subject to Similar Law; or (ii) its purchase and holding of the Covered Bonds (or an interest in the Covered Bonds) will not result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of such a governmental or other employee benefit plan, any Similar Law) for which an exemption is not available.

Governmental plans (as defined in Section 3(32) of ERISA) and certain church plans (as defined in Section 3(33) of ERISA) and other non-U.S. plans (as described in Section 4(b)(4) of ERISA), while not subject to the fiduciary responsibility provisions of ERISA or the provisions of Section 4975 of the Code, may nevertheless be subject to Similar Law. Fiduciaries of any such plans should consult with their counsel before purchasing any Covered Bonds.

Any insurance company proposing to invest assets of its general account in Covered Bonds should consider the extent to which such investment would be subject to the requirements of Title I of ERISA, Section 406 of ERISA and Section 4975 of the Code in light of the U.S. Supreme Court's decision in *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank*, 510 U.S. 86 (1993), and the enactment of Section 401(c) of ERISA on 20 August 1996. In particular, such an insurance company should consider (i) the exemptive relief granted by the U.S. Department of Labor for transactions involving insurance company general accounts in PTCE 95-60 and (ii) if such exemptive relief is not available, whether its acquisition of Covered Bonds will be permissible under the final regulations issued under Section 401(c) of ERISA.

Regulations promulgated by the United States Department of Labor at 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (the "**Plan Asset Regulation**"), describe what constitutes the assets of a Plan with respect to the Plan's investment in an entity for purposes of certain provisions of ERISA and Section 4975 of the Code, including the fiduciary responsibility and prohibited transaction provisions of Title I of ERISA and Section 4975 of the Code. Under the Plan Asset Regulation, if a Plan invests in an "equity interest" (other than an instrument that is treaded as indebtedness under applicable local law and which has no substantial equity features) of an entity that is neither a "publicly offered security" nor a security issued by an investment company registered under the Investment Company Act, nor an entity that qualifies as an "operating company" under the Plan Asset Regulation, the Plan's assets could include both the equity interest and an undivided interest in each of the entity's underlying assets. The Issuer believes that it would qualify as an 'operating company' within the meaning of the Plan Asset Regulation. In addition, the Issuer also believes that the Covered Bonds should be treated as indebtedness for purposes of the Plan Asset Regulation.

The foregoing discussion is general in nature and not intended to be all-inclusive. Any Plan fiduciary who proposes to cause a Plan to purchase any Covered Bonds should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code or Similar Law to such an investment, and to confirm that such investment will not constitute or result in a prohibited transaction or any other violation of an applicable requirement of ERISA, the Code or Similar Law.

The sale of the Covered Bonds to a Plan is in no respect a representation by the Issuer or the Dealers that such an investment meets all relevant requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan. Any Plan that purchases or holds a Covered Bond (or any interest therein) will be deemed to agree by its purchase or holding of a Covered Bond (or any interest therein) that neither the Issuer, the Dealer nor any of their affiliates has provided any investment advice or recommendations with respect to the purchase, holding or any subsequent sale or transfer of the Covered Bond (or any interest therein) and that the Plan's decision to purchase and hold a Covered Bond (or any interest therein) was made by a fiduciary to the Plan that acted independently and with the expertise needed to make such a decision on behalf of the ERISA Plan or Plan. Any Plan purchasing the Covered Bonds should carefully examine the applicable Pricing Supplement and consult its own advisers.

BOOK-ENTRY CLEARANCE SYSTEMS

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Issuer believes to be reliable, but neither the Issuer nor any Dealer takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Covered Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Book-entry Systems

DTC

DTC has advised the Issuer that it is a limited purpose trust company organised under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to Section 17A of the Exchange Act. DTC holds securities that its participants ("**Participants**") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerised book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations ("**Direct Participants**"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**").

Under the rules, regulations and procedures creating and affecting DTC and its operations (the "**Rules**"), DTC makes book-entry transfers of Registered Covered Bonds among Direct Participants on whose behalf it acts with respect to Covered Bonds accepted into DTC's book-entry settlement system ("**DTC Covered Bonds**") as described below and receives and transmits distributions of principal and interest on DTC Covered Bonds. The Rules are on file with the Securities and Exchange Commission. Direct Participants and Indirect Participants with which beneficial owners of DTC Covered Bonds ("**Owners**") have accounts with respect to the DTC Covered Bonds similarly are required to make book-entry transfers and receive and transmit such payments on behalf of their respective Owners. Accordingly, although Owners who hold DTC Covered Bonds through Direct Participants or Indirect Participants will not possess Registered Covered Bonds, the Rules, by virtue of the requirements described above, provide a mechanism by which Direct Participants will receive payments and will be able to transfer their interest in respect of the DTC Covered Bonds.

Purchases of DTC Covered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the DTC Covered Bonds on DTC's records. The ownership

interest of each actual purchaser of each DTC Covered Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the DTC Covered Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in DTC Covered Bonds, except in the event that use of the book-entry system for the DTC Covered Bonds is discontinued.

To facilitate subsequent transfers, all DTC Covered Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of DTC Covered Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the DTC Covered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such DTC Covered Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the DTC Covered Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to DTC Covered Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the DTC Covered Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the DTC Covered Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the due date for payment in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the due date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Under certain circumstances, DTC will exchange the DTC Covered Bonds for Definitive Covered Bonds, which it will distribute to its Participants in accordance with their proportionate entitlements and which, if representing interests in a Global Certificate, will be legended as set forth under "*Subscription and Sale and Transfer and Selling Restrictions*".

Since DTC may only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, any Owner desiring to pledge DTC Covered Bonds to persons or entities that do not participate in DTC, or otherwise take actions with respect to such DTC Covered Bonds, will be required to withdraw its Registered Covered Bonds from DTC as described below.

Central Moneymarkets Unit (the "CMU")

The CMU is a central depositary service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the CMU Members of capital markets instruments (the "**CMU Instruments**") which are specified in the CMU Reference Manual as capable of being held within the CMU.

The CMU is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the CMU is open to all members of the Hong Kong Capital Markets Association and "authorised institutions" under the Banking Ordinance (Cap. 155) of Hong Kong.

The CMU has an income distribution service which is a service offered by the CMU to facilitate the distribution of interest, coupon or redemption proceeds (collectively, the "income proceeds") by CMU Members who are paying agents to the legal title holders of the CMU Instruments via the CMU system. Furthermore, the CMU has a corporate action platform which allows an issuer (or its agent) to make an announcement/notification of a corporate action and Covered Bondholders to submit the relevant certification. For further details, please refer to the CMU Reference Manual. An investor holding an interest through an account with either Euroclear or Clearstream, Luxembourg, in any Covered Bonds held in the CMU will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg, each has with the CMU.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for its customers and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

Book-entry Ownership of and Payments in Respect of DTC Covered Bonds

The Issuer may apply to DTC in order to have any Tranche of Covered Bonds represented by a Global Certificate accepted in its book-entry settlement system. Upon the issue of any such Global Certificate,

DTC or its custodian will credit, on its internal book-entry system, the respective nominal amounts of the individual beneficial interests represented by such Global Certificate to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the Arranger and/or the relevant Dealer. Ownership of beneficial interests in such a Global Certificate will be limited to Direct Participants or Indirect Participants, including, in the case of any Regulation S Global Certificate, the respective depositaries of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in a Global Certificate accepted by DTC will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to the interests of Direct Participants) and the records of Direct Participants (with respect to interests of Indirect Participants).

Payments in U.S. dollars of principal and interest in respect of a Global Certificate accepted by DTC will be made to the order of DTC or its nominee as the registered holder of such Covered Bond.

The Issuer expects DTC to credit accounts of Direct Participants on the applicable payment date in accordance with their respective holdings as shown in the records of DTC unless DTC has reason to believe that it will not receive payment on such payment date. The Issuer also expects that payments by Participants to beneficial owners of Covered Bonds will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers, and will be the responsibility of such Participant and not the responsibility of DTC, the Bond Trustee, the Issuing and Paying Agent, the Registrar or the Issuer. Payment of principal, premium, if any, and interest, if any, on Covered Bonds to DTC is the responsibility of the Issuer.

Transfers of Covered Bonds Represented by Global Certificates

Transfers of any interests in Covered Bonds represented by a Global Certificate within DTC, Euroclear and Clearstream, Luxembourg will be effected in accordance with the customary rules and operating procedures of the relevant clearing system. The laws in some States within the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer Covered Bonds represented by a Global Certificate to such persons may depend upon the ability to exchange such Covered Bonds for Covered Bonds in definitive form. Similarly, because DTC can only act on behalf of Direct Participants in the DTC system who in turn act on behalf of Indirect Participants, the ability of a person having an interest in Covered Bonds represented by a Global Certificate accepted by DTC to pledge such Covered Bonds to persons or entities that do not participate in the DTC system or otherwise to take action in respect of such Covered Bonds may depend upon the ability to exchange such Covered Bonds for Covered Bonds in definitive form. The ability of any holder of Covered Bonds represented by a Global Certificate accepted by DTC to resell, pledge or otherwise transfer such Covered Bonds may be impaired if the proposed transferee of such Covered Bonds is not eligible to hold such Covered Bonds through a direct or indirect participant in the DTC system.

Subject to compliance with the transfer restrictions applicable to the Registered Covered Bonds described under "*Subscription and Sale and Transfer and Selling Restrictions*", cross-market transfers between DTC, on the one hand, and directly or indirectly through Clearstream, Luxembourg or Euroclear accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the Registrar, the Issuing and Paying Agent and any custodian with whom the relevant Global Certificates have been deposited.

On or after the Issue Date, transfers of the Covered Bonds between accountholders in Clearstream, Luxembourg and Euroclear and transfers of the Covered Bonds of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Clearstream, Luxembourg or Euroclear and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Clearstream, Luxembourg and Euroclear, on the other, transfers of interests in the relevant Global Certificates will be effected through the Registrar, the Issuing and Paying Agent and the custodian receiving instructions (and, where appropriate, certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

DTC, Clearstream, Luxembourg and Euroclear have each published rules and operating procedures designed to facilitate transfers of beneficial interests in Global Certificates among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear. However, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or changed at any time. None of the Issuer, the Agents, the Bond Trustee, the Registrar, the Arranger or any Dealer will be responsible for any performance by DTC, Clearstream, Luxembourg or Euroclear or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations and none of them will have any liability for any aspect of the records relating to or payments made on account of beneficial interests in the Covered Bonds represented by Global Certificates or for maintaining, supervising or reviewing any records relating to such beneficial interests.

SUBSCRIPTION AND SALE AND TRANSFER AND SELLING RESTRICTIONS

The Arranger and the Dealers have in a dealer agreement dated 1 July 2022 (as amended, supplemented and/or restated from time to time, the "**Dealer Agreement**") agreed with the Issuer a basis upon which they or any other Dealer appointed from time to time in respect of a specific issue of Covered Bonds may from time to time agree to purchase Covered Bonds. Any such agreement will extend to those matters stated under "*Summary of Provisions Relating to the Covered Bonds While in Global Form*" and "*Terms and Conditions of the Covered Bonds*". In the Dealer Agreement, the Issuer has agreed to reimburse the Arranger and the Dealers for certain of their expenses in connection with the establishment and the update of the Programme and the issue of Covered Bonds under the Programme and to indemnify the Arranger and the Dealers against certain liabilities incurred by them in connection therewith.

In order to facilitate the offering of any Tranche of the Covered Bonds, certain persons participating in the offering of the Tranche may engage in transactions that stabilise, maintain or otherwise affect the market price of the relevant Covered Bonds during and after the offering of the Tranche. Specifically, such persons may over-allot or create a short position in the Covered Bonds for their own account by selling more Covered Bonds than have been sold to them by the Issuer. Such persons may also elect to cover any such short position by purchasing Covered Bonds in the open market. In addition, such persons may stabilise or maintain the price of the Covered Bonds by bidding for or purchasing Covered Bonds in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in the offering of the Covered Bonds are reclaimed if Covered Bonds previously distributed in the offering are repurchased in connection with stabilisation transactions or otherwise. The effect of these transactions may be to stabilise or maintain the market price of the Covered Bonds at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the Covered Bonds to the extent that it discourages resales thereof. No representation is made as to the magnitude or effect of any such stabilising or other transactions. Such transactions, if commenced, may be discontinued at any time. Under UK laws and regulations, stabilising activities may only be carried on by the Stabilising Manager named in the applicable Pricing Supplement and must end no later than the earlier of 30 days following the Issue Date of the relevant Tranche of Covered Bonds and 60 days following the date of the allotment of the relevant Tranche of Covered Bonds.

Certain Relationships

The Arranger and the Dealers and certain of their affiliates may have performed certain investment banking and advisory services for the Issuer or its affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with, and perform services for, the Issuer or its affiliates in the ordinary course of business. The Arranger and the Dealers and certain of their affiliates may purchase Covered Bonds and be allocated Covered Bonds for asset management and/or proprietary purposes but not with a view to distribution.

The Arranger and the Dealers and their respective affiliates may purchase Covered Bonds for their own accounts and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to Covered Bonds and/or other securities of the Issuer or its subsidiaries or associates, at the same time as the offer and sale of Covered Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and

separately from any existing sale or resale of Covered Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of Covered Bonds).

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to CMIs (including private banks):

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the relevant CMI Offering and are subject to additional requirements under the SFC Code. The application of these obligations will depend on the role(s) undertaken by the relevant Dealer(s) in respect of each CMI Offering.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the relevant Covered Bonds. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer or any CMI (including its group companies) and inform the relevant Dealers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for the relevant CMI Offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and any MiFID II product governance language or any UK MiFIR product governance language set out elsewhere in this Offering Circular and/or the applicable Pricing Supplement.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the relevant Covered Bonds (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the relevant Covered Bonds.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Dealers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the relevant Covered Bonds, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "principal" basis may require the relevant affiliated Manager(s) (if any) to categorise it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any "Associations" (as used in the SFC Code);
- Whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code);
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to the Managers named in the relevant Pricing Supplement.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for the relevant CMI Offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the relevant CMI Offering. The relevant Dealers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Dealer with such evidence within the timeline requested.

Transfer Restrictions

Due to the following significant transfer restrictions applicable to the Covered Bonds, investors are advised to consult legal counsel prior to making any reoffer, resale, pledge, transfer or disposal of the Covered Bonds.

The Covered Bonds have not been and will not be registered under the Securities Act or any other securities laws and may not be offered or sold in the United States except pursuant to an effective registration statement or in accordance with an applicable exemption from the registration requirements of the Securities Act. Accordingly, the Covered Bonds are being offered and sold in the United States only to QIB/QPs in reliance on the registration exemption in Rule 144A of the Securities Act. The international offering is being made outside the United States in offshore transactions pursuant to Regulation S under the Securities Act.

Bearer Covered Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

U.S. Transfer Restrictions

Each purchaser of the Covered Bonds will be deemed to acknowledge, represent and agree and each person wishing to transfer an interest from one Registered Global Covered Bond to another will be required to acknowledge, represent and agree as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S are used herein as defined therein):

(a) that in the case of a Rule 144A Covered Bond, it, and each person for which it is acting, is both a QIB and a QP and is acquiring such Covered Bond (or beneficial interest therein) for its own account or for the account or accounts of one or more other persons, each of which is both a QIB and a QP and:

(1) it, and each person for which it is acting, is aware that the sale, resale, pledge, exchange or other transfer of such Covered Bond (or beneficial interest therein) is being made in a transaction that is exempt from the registration requirements of the Securities Act pursuant to the requirements of Rule 144A;

(2) it, and each person for which it is acting, is not a broker-dealer which owns and invests on a discretionary basis less than U.S.$25 million in securities of issuers unaffiliated with such broker-dealer;

(3) it, and each person for which it is acting, is not a plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, such as a 401(k) plan, or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A, holding the assets of such plan unless the investment decisions with respect to such plan are made solely by the fiduciary, trustee or sponsor of such plan or trust fund;

(4) it, and each account for which it is purchasing or otherwise acquiring such Covered Bond (or beneficial interest therein), will purchase, hold or transfer at least EUR100,000 (or its equivalent in any other currency in which the Covered Bonds may be issued) of the Covered Bonds (or beneficial interest therein);

(5) it, and each person for which it is acting, was not formed, reformed or recapitalised for the specific purpose of investing in such Covered Bonds (or beneficial interest therein) and/or

other securities of the Issuer (unless all of the beneficial owners of such entity's securities are both QIBs and QPs);

(6) if it, or any person for which it is acting, is an investment company excepted from the Investment Company Act pursuant to Section 3(c)(1) or Section 3(c)(7) thereof (or a foreign investment company under Section 7(d) thereof relying on Section 3(c)(1) or 3(c)(7) with respect to its holders that are U.S. Persons) and was formed on or before 30 April 1996, it has received the consent of its beneficial owners who acquired their interests on or before 30 April 1996, with respect to its treatment as a QP in the manner required by Section 2(a)(51)(C) of the Investment Company Act and the rules and regulations promulgated thereunder;

(7) it, and each person for which it is acting, is not a corporation, partnership, common trust fund, special trust, pension fund or retirement plan, or other entity, in which the shareholders, partners, beneficiaries, beneficial owners, participants or other equity owners, as the case may be, may designate the particular investments to be made, or the allocation thereof, unless all such shareholders, partners, beneficiaries, owners, participants or other equity owners are both QIBs and QPs;

(8) it, and each person for which it is acting, has not invested more than 40% of its assets in such Covered Bonds (or beneficial interest therein) and/or other securities of the Issuer after giving effect to the purchase of such Covered Bond (or beneficial interest therein) (unless all of the beneficial owners of such entity's securities are both QIBs and QPs);

(9) it, and each person for which it is acting, understands that the Issuer will not register as an investment company under the Investment Company Act and that the Issuer is relying on the exemption provided by Section 3(c)(7) of the Investment Company Act in doing so. It, and each person for which it is acting, also understands and agrees that the Issuer and the Transfer Agent shall have the right to request and receive such additional documents, certifications, representations and undertakings, from time to time, as the Issuer and the Transfer Agent may deem necessary in order to comply with applicable legal requirements;

(10) it, and each person for which it is acting, agrees that the Issuer shall be entitled to require any holder of a Rule 144A Covered Bond (or any holder of a beneficial interest therein) that is determined not to have been both a QIB and a QP (and to have met the other requirements set forth in this paragraph (a)) at the time of acquisition of such Rule 144A Covered Bond (or such beneficial interest) to sell such Rule 144A Covered Bond (or such beneficial interest) or, alternatively, the Issuer shall be entitled to redeem such Rule 144A Covered Bond (or such beneficial interest), in accordance with the provisions applicable to such Covered Bond;

(11) it, and each person for which it is acting, understands that the Issuer may receive a list of the participants from Euroclear, Clearstream, CMU, DTC or any other depositary holding beneficial interests in the Rule 144A Global Certificates;

(12) it, and each person for which it is acting, will provide notice of these transfer restrictions to any subsequent transferees and agrees not to act as a swap counterparty or other type of

intermediary whereby any other party will acquire an economic or beneficial interest in the Covered Bonds acquired or reoffer, resell, pledge or otherwise transfer a Covered Bond (or any beneficial interest therein) to any person except to a person that (x) meets all of the requirements in paragraphs (1) through this paragraph (12), and (y) agrees not to subsequently transfer such Covered Bond or such beneficial interest therein except in accordance with these transfer restrictions; and

(13) it, and each person for which it is acting, understands that any sale or transfer to a person that does not comply with the requirements set forth in these paragraphs (1) through (12) will be null and void *ab initio* and not honoured by the Issuer;

(b) that in the case of a Regulation S Covered Bond, it is outside the United States and is not a U.S. Investor and:

(1) it, and each person for which it is acting, is a Non-U.S. Investor acquiring the Covered Bonds (or a beneficial interest therein) in an offshore transaction meeting the requirements of Rule 903 or Rule 904 of Regulation S and in a principal amount of not less than EUR100,000 (or its equivalent in any other currency in which the Covered Bonds may be issued);

(2) it, and each person for which it is acting, understands that any resale or other transfer of the Covered Bonds (or beneficial interests therein) in the United States or to any U.S. Persons to any person other than a person who is both a QIB and a QP, taking delivery in the form of a Rule 144A Global Certificate (or a beneficial interest therein), and meets the other requirements set forth under these transfer restrictions, shall not be permitted; and

(3) it, and each person for which it is acting, agrees that the Issuer shall be entitled to require any holder of a Regulation S Covered Bond (or any holder of a beneficial interest therein) that is determined not to have been a Non-U.S. Investor acquiring such Regulation S Covered Bond (or beneficial interest therein) in an offshore transaction at the time of acquisition of such Covered Bond (or such beneficial interest) to sell such Covered Bond (or such beneficial interest) or, alternatively, the Issuer shall be entitled to redeem such Regulation S Covered Bond (or such beneficial interest), in accordance with the provisions applicable to such Covered Bond;

(c) that in addition to the restrictions set forth in paragraphs (a) and (b) above:

(1) it understands that the Covered Bonds are being offered only in transactions not involving any public offering within the meaning of the Securities Act and will not be registered under the Securities Act, and may be reoffered, resold or pledged or otherwise transferred only (A)(i) to a person whom the purchaser reasonably believes is a person that is both a QIB and a QP purchasing for its own account or for the account of a person that is both a QIB and a QP as to which the purchaser exercises sole investment discretion in a transaction meeting the requirements of Rule 144A; or (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S and (B) in accordance with all applicable securities laws of the states of the United States, the transfer restrictions and the legend on such Covered Bonds;

(2) it is not purchasing the beneficial interests in the Covered Bonds with a view towards the resale, distribution or other disposition thereof in violation of the Securities Act. It understands that an investment in the Covered Bonds involves certain risks, including the risk of loss of its entire investment in the Covered Bonds under certain circumstances. It, and each person for whom it is acting, has had access to this Offering Circular and such additional financial and other information concerning the Issuer and the Covered Bonds as it deemed necessary or appropriate in order to make an informed investment decision with respect to its purchase of the beneficial interest in the Covered Bonds, including an opportunity to ask questions of and request information from the Issuer and to verify the accuracy of the information included or incorporated by reference herein that the Issuer or the Dealers could provide without unreasonable effort or expense. It understands and acknowledges that it must be prepared to hold its beneficial interest in the Covered Bond until maturity and that no representation has been made as to availability of any exemption under the Securities Act or any state securities laws or securities laws of any other jurisdiction for resale of the beneficial interests in the Covered Bonds;

(3) if a beneficial interest in a Rule 144A Global Certificate is transferred to a Non-U.S. Investor that is acquiring such Covered Bond in an offshore transaction in compliance with Rule 903 or Rule 904 of Regulation S under the Securities Act, the transferee will take such beneficial interest in the form of a beneficial interest (in the denomination so transferred) in a Regulation S Global Certificate;

(4) if a beneficial interest in a Regulation S Global Certificate is transferred to a person that is both a QIB and a QP in a transaction exempt from the registration requirements of the Securities Act pursuant to Rule 144A (in which case the transferor will inform the transferee that the transfer is being made in reliance on Rule 144A), the transferee will take such beneficial interest in the form of a beneficial interest (in the denomination so transferred) in a Rule 144A Global Certificate;

(5) unless otherwise stated in an applicable pricing supplement, either: (A) it is not, and for so long as it holds any beneficial interest in any Covered Bonds will not be (i) an "**employee benefit plan**" subject to Part 4 of Subtitle B of Title I of ERISA; (ii) a "**plan**" to which Section 4975 of the Code applies; (iii) an entity whose underlying assets include "**plan assets**" (within the meaning of Section 3(42) of ERISA and United States Department of Labour Regulation 29 C.F.R. § 2510.3-101) by reason of such employee benefit plan or plan's investment in such entity (each of (i), (ii), and (iii), a "**Benefit Plan Investor**"); or (iv) a governmental plan (within the meaning of Section 3(32) of ERISA), a church plan (within the meaning of Section 3(33) of ERISA) that has not made an election under section 410(d) of the Code, or a non-United States plan (within the meaning of Section 4(b)(4) of ERISA) that is subject to any federal, state, local or non-United States laws that regulate its investments ("**Similar Law**"); or (B) its purchase and holding of this Covered Bond will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental plan, church plan or non-United States plan that is subject to Similar Law, a violation of Similar Law) for which an applicable statutory, regulatory or administrative exemption is not available;

(6) in connection with the purchase of the Covered Bonds: (A) none of the Issuer, the Bond Trustee, the Asset Monitor, the Initial Collateral Account Custodian Bank, the Agents or the Dealers, is acting as a fiduciary or financial or investment adviser for the holder; (B) it is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuer, the Bond Trustee, the Asset Monitor, the Initial Collateral Account Custodian Bank, the Agents or the Dealers other than any such representations of the Issuer as may be specifically set forth in the Offering Circular or applicable Pricing Term Sheet for such Covered Bonds, and any representations expressly set forth in a written agreement with such party, (C) none of the Issuer, the Bond Trustee, the Asset Monitor, the Initial Collateral Account Custodian Bank, the Agents or the Dealers has given to the holder (directly or indirectly through any other person) any assurance, guarantee, or representation whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) as to an investment in the Covered Bonds; (D) it has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisers to the extent it has deemed necessary, and it has made its own investment decisions (including decisions regarding the suitability of any transaction) based upon its own judgement and upon any advice from such advisers as it has deemed necessary and not upon any view expressed by the Issuer, the Issuing and Paying Agent or the Dealers; (E) it has evaluated the rates, prices or amounts and other terms and conditions of the purchase and sale of the Covered Bonds with a full understanding of all of the risks thereof (economic and otherwise), and it is capable of assuming and willing to assume (financially and otherwise) those risks; and (F) it is a sophisticated investor;

(7) for so long as the Issuer relies on the exemption from the Investment Company Act provided by Section 3(c)(7) and the Covered Bonds are held through Euroclear, Clearstream, CMU or DTC, the Covered Bonds shall bear the applicable Rule 144A and Regulation S legend, the applicable legends shall not be removed and the Issuer shall provide the information needed for a QIB/QP to transfer the Covered Bonds pursuant to Rule 144A; and

(8) any purported transfer of a Covered Bond not in accordance with these transfer restrictions shall be null and void *ab initio* and shall not be given effect for any purpose;

(d) that it will, and will require each subsequent holder to, notify any purchaser of the Covered Bonds from it of the resale restrictions referred to in paragraphs (a), (b) and (c) above;

(e) that Covered Bonds initially offered in the United States to QIB/QPs will be represented by one or more Rule 144A Global Certificates and that Covered Bonds offered outside the United States in reliance on Regulation S will be represented by one or more Regulation S Global Certificates;

(f) that the Covered Bonds represented by Rule 144A Global Certificates and Rule 144A Covered Bonds that are Definitive Covered Bonds will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS COVERED BOND HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), ANY STATE SECURITIES LAWS IN THE UNITED STATES OR THE

SECURITIES LAWS OF ANY OTHER JURISDICTION AND KOREA HOUSING FINANCE CORPORATION (THE "ISSUER") HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"), IN RELIANCE ON THE EXEMPTION FROM THE DEFINITION OF "INVESTMENT COMPANY" PROVIDED BY SECTION 3(c)(7) THEREOF. BENEFICIAL INTERESTS IN THIS COVERED BOND MAY BE SOLD, REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY: (A) IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE SELLER REASONABLY BELIEVES IS BOTH A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A), (A "QUALIFIED INSTITUTIONAL BUYER" OR "QIB") AND A "QUALIFIED PURCHASER" (AS DEFINED IN SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT AND THE RULES AND REGULATIONS THEREUNDER) (A "QUALIFIED PURCHASER" OR "QP"), PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER THAT IS ALSO A QUALIFIED PURCHASER OR (B) TO A PERSON THAT IS NEITHER A U.S. PERSON (AS DEFINED IN REGULATION S OF THE SECURITIES ACT ("REGULATION S")) NOR A U.S. RESIDENT (DEFINED AS A "U.S. PERSON" UNDER REGULATION S, AS SUCH TERM HAS BEEN INTERPRETED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION IN THE CONTEXT OF SECTION 7(D) OF THE INVESTMENT COMPANY ACT) (A "NON-U.S. INVESTOR"), IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR 904 OF REGULATION S TAKING AN INTEREST IN A REGULATION S GLOBAL CERTIFICATE, AND IN EACH CASE (1) UPON DELIVERY OF ALL CERTIFICATIONS, OPINIONS AND OTHER DOCUMENTS THAT THE ISSUER OR THE TRANSFER AGENT MAY REQUIRE AND (2) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION.

ANY SALE OR TRANSFER OF THE COVERED BOND EVIDENCED BY THIS RULE 144A GLOBAL CERTIFICATE OR BENEFICIAL INTERESTS THEREIN TO A PERSON THAT DOES NOT COMPLY WITH THE REQUIREMENTS SET FORTH HEREIN WILL BE NULL AND VOID AB INITIO AND NOT HONOURED BY THE ISSUER. IF AT ANY TIME THE ISSUER DETERMINES IN GOOD FAITH THAT A HOLDER OR BENEFICIAL OWNER OF THE COVERED BONDS EVIDENCED BY THIS RULE 144A GLOBAL CERTIFICATE OR BENEFICIAL INTERESTS THEREIN IS IN BREACH, AT THE TIME GIVEN, OF ANY OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE BOND TRUST DEED, THE ISSUER SHALL REQUIRE SUCH HOLDER TO TRANSFER THE COVERED BONDS EVIDENCED BY THIS RULE 144A GLOBAL CERTIFICATE (OR INTEREST THEREIN) TO A TRANSFEREE ACCEPTABLE TO THE ISSUER WHO IS ABLE TO AND WHO DOES SATISFY ALL OF THE REQUIREMENTS SET FORTH HEREIN AND IN THE BOND TRUST DEED. PENDING SUCH TRANSFER, SUCH HOLDER WILL BE DEEMED NOT TO BE THE HOLDER OF THE COVERED BONDS EVIDENCED BY THIS RULE 144A GLOBAL CERTIFICATE (OR INTEREST THEREIN) FOR ANY PURPOSE, INCLUDING BUT NOT LIMITED TO RECEIPT OF PRINCIPAL AND INTEREST PAYMENTS ON THE COVERED BONDS EVIDENCED BY THIS RULE 144A GLOBAL CERTIFICATE, AND SUCH HOLDER WILL BE DEEMED TO HAVE NO INTEREST WHATSOEVER IN THE COVERED BONDS

EVIDENCED BY THIS RULE 144A GLOBAL CERTIFICATE EXCEPT AS OTHERWISE REQUIRED TO SELL ITS INTEREST THEREIN AS DESCRIBED HEREIN.";

(g) if it is outside the United States and is not a U.S. Person, that if it should resell or otherwise transfer the Covered Bonds, it will do so only (a)(i) outside the United States in compliance with Rule 903 or 904 under the Securities Act or (ii) to a QIB/QP in compliance with Rule 144A; and (b) in accordance with all applicable U.S. State securities laws; and it acknowledges that the Covered Bonds represented by Regulation S Global Certificates and Regulation S Covered Bonds that are Definitive Covered Bonds will bear a legend to the following effect unless otherwise agreed to by the Issuer:

"THIS COVERED BOND HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), ANY STATE SECURITIES LAWS IN THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION AND KOREA HOUSING FINANCE CORPORATION (THE "ISSUER") HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"), IN RELIANCE ON THE EXEMPTION FROM THE DEFINITION OF "INVESTMENT COMPANY" PROVIDED BY SECTION 3(c)(7) THEREOF. BENEFICIAL INTERESTS IN THIS COVERED BOND MAY BE SOLD, REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A) TO A PERSON THAT IS NEITHER A U.S. PERSON (AS DEFINED IN REGULATION S OF THE SECURITIES ACT ("REGULATION S")) NOR A U.S. RESIDENT (DEFINED AS A "U.S. PERSON" UNDER REGULATION S, AS SUCH TERM HAS BEEN INTERPRETED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION IN THE CONTEXT OF SECTION 7(D) OF THE INVESTMENT COMPANY ACT) (A "NON-U.S. INVESTOR"), IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 903 OR 904 OF REGULATION S TAKING AN INTEREST IN A REGULATION S GLOBAL CERTIFICATE OR (B) IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE SELLER REASONABLY BELIEVES IS BOTH A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A) (A "QUALIFIED INSTITUTIONAL BUYER" OR "QIB") AND A "QUALIFIED PURCHASER" (AS DEFINED IN SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT AND THE RULES AND REGULATIONS THEREUNDER) (A "QUALIFIED PURCHASER" OR "QP"), PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER THAT IS ALSO A QUALIFIED PURCHASER (AND MEETS THE OTHER REQUIREMENTS FOR RULE 144A COVERED BONDS) AND (C) IN EACH CASE (1) UPON DELIVERY OF ALL CERTIFICATIONS, OPINIONS AND OTHER DOCUMENTS THAT THE ISSUER OR THE TRANSFER AGENT MAY REQUIRE AND (2) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER JURISDICTION.

ANY SALE OR TRANSFER OF THE COVERED BOND EVIDENCED BY THIS REGULATION S GLOBAL CERTIFICATE OR BENEFICIAL INTERESTS THEREIN TO A PERSON THAT DOES NOT COMPLY WITH THE REQUIREMENTS SET FORTH HEREIN WILL BE NULL AND VOID AB INITIO AND NOT HONOURED BY THE

ISSUER. IF AT ANY TIME THE ISSUER DETERMINES IN GOOD FAITH THAT A HOLDER OR BENEFICIAL OWNER OF THE COVERED BONDS EVIDENCED BY THIS REGULATION S GLOBAL CERTIFICATE OR BENEFICIAL INTERESTS THEREIN IS IN BREACH, AT THE TIME GIVEN, OF ANY OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE BOND TRUST DEED, THE ISSUER SHALL REQUIRE SUCH HOLDER TO TRANSFER THE COVERED BONDS EVIDENCED BY THIS REGULATION S GLOBAL CERTIFICATE (OR INTEREST THEREIN) TO A TRANSFEREE ACCEPTABLE TO THE ISSUER WHO IS ABLE TO AND WHO DOES SATISFY ALL OF THE REQUIREMENTS SET FORTH HEREIN AND IN THE BOND TRUST DEED. PENDING SUCH TRANSFER, SUCH HOLDER WILL BE DEEMED NOT TO BE THE HOLDER OF COVERED BONDS EVIDENCED BY THIS REGULATION S GLOBAL CERTIFICATE (OR INTEREST THEREIN) FOR ANY PURPOSE, INCLUDING BUT NOT LIMITED TO RECEIPT OF PRINCIPAL AND INTEREST PAYMENTS ON THE BONDS EVIDENCED BY THIS REGULATION S GLOBAL CERTIFICATE, AND SUCH HOLDER WILL BE DEEMED TO HAVE NO INTEREST WHATSOEVER IN THE COVERED BONDS EVIDENCED BY THIS REGULATION S GLOBAL CERTIFICATE EXCEPT AS OTHERWISE REQUIRED TO SELL ITS INTEREST THEREIN AS DESCRIBED HEREIN."; and

(h) that the Issuer and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of such acknowledgements, representations or agreements made by it are no longer accurate, it shall promptly notify the Issuer; and if it is acquiring any Covered Bonds as a fiduciary or agent for one or more accounts it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

In connection with any Covered Bonds which are offered or sold outside the United States in reliance on Regulation S (being the Regulation S Covered Bonds), no Regulation S Covered Bond has been offered, sold or delivered nor will be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. Persons (i) as part of its distribution at any time; or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date of the relevant Tranche (being the Distribution Compliance Period), and except in either case the purchaser, if a "**U.S. Resident**", is a QP, and the transaction is made in accordance with Regulation S under the Securities Act. Each Dealer has further agreed that it will send to each purchaser to which it sells any Regulation S Covered Bonds during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Covered Bonds within the United States or to, or for the account or benefit of, U.S. Persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of the Covered Bonds, an offer or sale of such Covered Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Selling Restrictions

United States

The Covered Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Bearer Covered Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Dealer Agreement, it will not offer, sell or, in the case of Bearer Covered Bonds, deliver Covered Bonds (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Covered Bonds are a part, as determined and certified to the Issuing and Paying Agent by such Dealer (or, in the case of an identifiable tranche of Covered Bonds sold to or through more than one Dealer, by each of such Dealers with respect to Covered Bonds of an identifiable tranche purchased by or through it, in which case the Issuing and Paying Agent shall notify such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Covered Bonds during the distribution compliance period (other than resales pursuant to Rule 144A) a confirmation or other notice setting out the restrictions on offers and sales of the Covered Bonds within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding sentence have the meanings given to them by Regulation S.

The Covered Bonds are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S. The Dealer Agreement provides that the Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Covered Bonds within the United States only to qualified institutional buyers who are also qualified purchasers in reliance on Rule 144A. In addition, until 40 days after the commencement of the offering of any identifiable tranche of Covered Bonds, an offer or sale of Covered Bonds within the United States by any dealer (whether or not participating in the offering of such tranche of Covered Bonds) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of the Covered Bonds outside the United States and for the resale of the Covered Bonds in the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Covered Bonds, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States or to any U.S. person, other than any qualified institutional buyer who is also a qualified purchaser within the meaning of Rule 144A to whom an offer has been made directly by one of the Dealers or its U.S. broker-dealer affiliate. Distribution of this Offering Circular by any non-U.S. person outside the United States or by any qualified institutional buyer who is also a qualified purchaser in the United States to any U.S. person or to any other person within the United States, other

than any qualified institutional buyer who is also a qualified purchaser and those persons, if any, retained to advise such non-U.S. person or qualified institutional buyer who is also a qualified purchaser with respect thereto, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than any qualified institutional buyer who is also a qualified purchaser and those persons, if any, retained to advise such non-U.S. person or qualified institutional buyer who is also a qualified purchaser, is prohibited.

Prohibition of Sales to EEA Retail Investors

Unless the Pricing Supplement in respect of any Covered Bonds specifies the "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

    (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

    (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

    (iii) not a qualified investor as defined in the Prospectus Regulation; and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds.

If the Pricing Supplement in respect of any Covered Bonds specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the European Economic Area, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by the Offering Circular as completed by the final terms in relation thereto to the public in that Member State except that it may make an offer of such Covered Bonds to the public in that Member State:

(a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Covered Bonds to the public**" in relation to any Covered Bonds in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds and the expression "Prospectus Regulation" means Regulation (EU) 2017/1129, as amended.

Prohibition of Sales to UK Retail Investors

Unless the Pricing Supplement in respect of any Covered Bonds specifies the "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Covered Bonds which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

    (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA;

    (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

    (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds.

If the Pricing Supplement in respect of any Covered Bonds specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Covered Bonds which are the subject of the offering contemplated by the Offering Circular as completed by the Pricing Supplement in relation thereto to the public in the UK except that it may make an offer of such Covered Bonds to the public in the UK:

(a) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Section 86 of the FSMA,

provided that no such offer of Covered Bonds referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Section 85 of the FSMA, or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an "**offer of Covered Bonds to the public**" in relation to any Covered Bonds means the communication in any form and by any means of sufficient information on the terms of the offer and the Covered Bonds to be offered so as to enable an investor to decide to purchase or subscribe for the Covered Bonds and the expression "**UK Prospectus Regulation**" means the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA.

Other regulatory restrictions

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Covered Bonds which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Covered Bonds other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Covered Bonds would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Covered Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Covered Bonds in, from or otherwise involving the UK.

Republic of Italy

The offering of the Covered Bonds has not been registered with the *Commissione Nazionale per le Societàe la Borsa* ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, Covered Bonds may not be offered, sold or delivered, nor may copies of this Offering Circular or of any other document relating to any Covered Bonds be distributed in Italy, except in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered, sold or delivered, and will not offer, sell or deliver any Covered Bonds or distribute any copy of this Offering Circular or any other document relating to the Covered Bonds in Italy except:

(a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998 (the "**Financial Services Act**") and Article 34-*ter,* paragraph 1, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999 (the "**Issuers Regulation**"), all as amended from time to time; or

(b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Issuers Regulation.

In any event, any offer, sale or delivery of the Covered Bonds or distribution of copies of this Offering Circular or any other document relating to the Covered Bonds in Italy under paragraphs (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the "**Banking Act**") and CONSOB Regulation No. 20307 of 15 February 2018, all as amended from time to time;

(ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time; and

(iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority.

Switzerland

This Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Covered Bonds described herein. The Covered Bonds may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Covered Bonds constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and neither this Offering Circular nor any other offering or marketing material relating to the Covered Bonds may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Offering Circular nor any other offering or marketing material relating to the offering, nor the Issuer nor the Covered Bonds have been or will be filed with or approved by any Swiss regulatory authority. The Covered Bonds are not subject to supervision by any Swiss regulatory authority (e.g. the Swiss Financial Markets Supervisory Authority ("**FINMA**")), and investors in the Covered Bonds will not benefit from protection or supervision by such authority.

Japan

The Covered Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Dealer has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Covered Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it has not offered or sold any Covered Bonds or caused the Covered Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell the Covered Bonds or cause the Covered Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Covered Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA; or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Any reference to the SFA is a reference to the Securities and Futures Act 2001 of Singapore and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term or provision as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Covered Bonds (except for Covered Bonds which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**")) other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Covered Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Covered Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Korea

The Covered Bonds have not been and will not be registered under the FSCMA. Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that the Covered Bonds have not been and will not be offered, delivered or sold, directly or indirectly, in Korea or to any resident of Korea (as defined in the Foreign Exchange Transaction Law) or to others for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea, except as otherwise permitted under applicable Korean laws and regulations.

Each Dealer has undertaken, and each further Dealer appointed under the Programme will be required to undertake, to ensure that any securities dealer to which it sells the Covered Bonds confirms that it is purchasing such Covered Bonds as principal and agrees with such Dealer that it will comply with the restrictions described above.

Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2011 of the Commonwealth of Australia, the "**Corporations Act**") in relation to any Covered Bonds has been or will be lodged with the Australian Securities and Investments Commission ("**ASIC**"), ASX Limited or the financial market operated by it ("**ASX**"), or any other stock exchange or trading facility licenced under the Corporations Act. Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it:

(a) has not (directly or indirectly) offered or invited applications, and will not offer or invite applications, for the issue, sale or purchase of any Covered Bonds in Australia (including an offer or invitation which is received by a person in Australia); and

(b) has not distributed or published, and will not distribute or publish, this Offering Circular or any other offering material or advertisement relating to any Covered Bonds in Australia,

unless:

(a) the aggregate consideration payable on acceptance of the offer or invitation by each offeree or invitee is at least A$500,000 (or its equivalent in other currencies but disregarding moneys lent by the offeror, inviter or its associates (as defined in the Corporations Act)) or the offer or invitation otherwise does not require disclosure to investors in accordance with Parts 6D.2 or 7.9 of the Corporations Act;

(b) the offer or invitation does not constitute an offer to a "retail client" for the purposes of Sections 761G and 761GA of the Corporations Act;

(c) such action complies with the conditions of the Australian financial services licence of the personmaking the offer or invitation or an applicable exemption from the requirement to hold such a licence;

(d) such action complies with all applicable laws, regulations and directives (including, without limitation, the licensing requirements set out in Chapter 7 of the Corporations Act) in Australia; and

(e) such action does not require any document to be lodged with, or registered by, ASIC or ASX.

Kingdom of Saudi Arabia

This Offering Circular may not be distributed in the Kingdom of Saudi Arabia ("**Saudi Arabia**") except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of Saudi Arabia (the "**Capital Market Authority**"). The Capital Market Authority does not make any representations as to the accuracy or completeness of this Offering Circular, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Offering Circular. Prospective purchasers of the Covered Bonds should conduct their own due diligence on the accuracy of the information relating to the Covered Bonds. If a prospective purchaser does not understand the contents of this Offering Circular, he or she should consult an authorised financial adviser.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that no action has been or will be taken in Saudi Arabia that would permit a public offering of the Covered Bonds. Any investor in Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Covered Bonds pursuant to an offering should note that the offer of Covered Bonds is a private placement under Article 10 and/or Article 11 of the "Offers of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the "**KSA Regulations**"), through a person authorised by the Capital Market Authority to carry on the securities activity of arranging and following a notification to the Capital Market Authority under the KSA Regulations.

The Covered Bonds may thus not be advertised, offered or sold to any person in Saudi Arabia other than to "sophisticated investors" under Article 10 of the KSA Regulations or by way of a limited offer under Article 11 of the KSA Regulations. Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that any offer of Covered Bonds to a Saudi Investor will be made in compliance with the KSA Regulations.

Dubai International Finance Centre

This Offering Circular relates to an Exempt Offer in accordance with the Markets Rules Module of the Dubai Financial Services Authority (the "**DFSA**") Rulebook (the "**DFSA Rulebook**"). This Offering Circular is intended for distribution only to Professional Clients who are not natural persons. It must not be delivered to, or relied on by, any other person.

The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Offering Circular nor taken steps to verify the information set

out in it, and has no responsibility for it. The Covered Bonds to which this Offering Circular relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Covered Bonds offered should conduct their own due diligence on the Covered Bonds.

If you do not understand the contents of this Offering Circular, you should consult an authorised financial adviser.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered and will not offer the Covered Bonds to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the DFSA Rulebook; and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA Rulebook.

Qatar

The Covered Bonds will not be offered, sold or delivered, at any time, directly or indirectly, in the State of Qatar ("**Qatar**") (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Offering Circular has not been and will not be reviewed or approved by or registered with the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority, the Qatar Stock Exchange or the Qatar Central Bank in accordance with their regulations or any other regulations in Qatar and the Qatar Financial Centre. The Covered Bonds are not and will not be traded on the Qatar Stock Exchange.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered, delivered or sold, and will not offer, deliver or sell at any time, directly or indirectly, any Covered Bonds in Qatar (including the Qatar Financial Centre), except:

(a) in compliance with all applicable laws and regulations of Qatar (including the Qatar Financial Centre); and

(b) through persons or corporate entities authorised and licenced to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in Qatar.

United Arab Emirates

This Offering Circular is strictly private and confidential and is being issued to a limited number of investors who are exempt from the requirements of the Securities and Commodities Authority (the "**SCA**") Board of Directors' Chairman Decision No.(3/R.M.) of 2017 on the Regulation of Promotion and Introduction (the "**PIRs**").

No Covered Bonds have been or are being publicly offered, sold, promoted or advertised in the United Arab Emirates (the "**UAE**") in accordance with the PIRs. The Covered Bonds will be sold outside the

UAE and are not part of a public offering. This Offering Circular and the relevant documents have not been reviewed, approved or licenced by the UAE Central Bank, SCA or any other relevant licensing authorities or governmental agencies in the UAE. This Offering Circular is strictly private and confidential and has not been reviewed, deposited or registered with any licensing authority or governmental agency in the UAE.

This Offering Circular must not be shown, made available or provided to any person other than the original recipient and may not be reproduced or used for any other purpose. The Covered Bonds may not be offered or sold directly or indirectly to the public in the UAE. If you do not understand the contents of this Offering Circular, you should consult an authorised financial adviser.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that the Covered Bonds have not been and will not be offered, sold or publicly promoted or advertised by it in the UAE other than in compliance with any laws applicable in the UAE governing the issue, offering and sale of securities.

Canada

Prospective Canadian investors are advised that the information contained within this Offering Circular, and additionally, the relevant final terms or any other offering material relating to the Covered Bonds has not been prepared with regard to matters that may be of particular concern to Canadian investors.

Accordingly, prospective Canadian investors should consult with their own legal, financial and tax advisers concerning the information contained within this Offering Circular, the relevant final terms or any other offering material relating to the Covered Bonds and as to the suitability of an investment in the Covered Bonds in their particular circumstances.

The offer and sale of the Covered Bonds in Canada will only be made under exemptions from the requirement to file a prospectus with the Canadian securities regulators and will be made only by authorized dealer representatives that are properly registered under the laws of the relevant Canadian jurisdictions or, alternatively, that are entitled to rely on exemptions from the dealer registration requirements in the relevant Canadian jurisdictions.

The Covered Bonds may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in NI 45-106 or subsection 73.3(1) of the Securities Act (Ontario), and that are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Covered Bonds must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular, the relevant final terms or any other offering material constituting an "offering memorandum" under applicable Canadian securities laws (including any amendment to any such documents) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any

applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal adviser.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("NI 33-105"), the Dealers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with an offering of Covered Bonds.

The Issuer hereby notifies prospective Canadian purchasers that: (a) it may be required to provide personal information pertaining to the purchaser as required to be disclosed in Schedule I of Form 45106F1 under NI 45-106 (including its name, address, telephone number and the aggregate purchase price of any Covered Bonds purchased) ("personal information"), which Form 45-106F1 may be required to be filed by the Issuer under NI 45-106, (b) such personal information may be delivered to the Ontario Securities Commission (the "OSC") in accordance with NI 45-106, (c) such personal information is collected indirectly by the OSC under the authority granted to it under the securities legislation of Ontario, (d) such personal information is collected for the purposes of the administration and enforcement of the securities legislation of Ontario, and (e) the public official in Ontario who can answer questions about the OSC's indirect collection of such personal information is the Administrative Support Clerk at the OSC, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, Telephone: (416) 5933684. Prospective Canadian purchasers that purchase Covered Bonds in this offering will be deemed to have authorized the indirect collection of the personal information by the OSC, and to have acknowledged and consented to its name, address, telephone number and other specified information, including the aggregate purchase price paid by the purchaser, being disclosed to other Canadian securities regulatory authorities, and to have acknowledged that such information may become available to the public in accordance with requirements of applicable Canadian laws.

Upon receipt of this Offering Circular, each Canadian purchaser hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the Covered Bonds described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de cette prospectus de base, chaque acheteur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

General

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers the Covered Bonds or possesses or distributes this Offering Circular, and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of the Covered Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries, and none of the Issuer, the Arranger or any other Dealer shall have any responsibility therefor.

If a jurisdiction requires that any offering of the Covered Bonds under the Programme be made by a licenced broker or dealer and the Arranger or any Dealer or any affiliate of the Arranger or any Dealer

is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Arranger, such Dealer or such affiliate on behalf of the Issuer in such jurisdiction.

None of the Issuer, the Arranger or any of the Dealers represents that the Covered Bonds may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the Arranger and the relevant Dealer will be required to comply with such other additional restrictions as the Issuer, the Arranger and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

GENERAL INFORMATION

Authorisation

The update of the Programme was duly authorised by an internal approval document dated 26 July 2023, signed by the Head of Securitization Business Group of the Issuer. Each issue of the Covered Bonds under the Programme will be authorised by the Board of Directors of the Issuer at the time of issue or at a meeting held annually to approve the issue of the Covered Bonds to be issued in the following fiscal year.

Listing of the Covered Bonds on the SGX-ST

Approval in-principle has been received from the SGX-ST in connection with the Programme and application will be made for the listing and quotation of Covered Bonds that may be issued pursuant to the Programme and which are agreed at or prior to the time of issue thereof to be so listed and quoted on the SGX-ST. Such permission will be granted when such Covered Bonds have been admitted for listing and quotation on the SGX-ST. The Covered Bonds may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. For so long as any Covered Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, such Covered Bonds, if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000 (or its equivalent in foreign currencies).

For so long as any Covered Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that any Global Covered Bond is exchanged for Definitive Covered Bonds, the Issuer shall appoint and maintain a paying agent in Singapore, where such Definitive Covered Bonds may be presented or surrendered for payment or redemption. In addition, in the event that a Global Covered Bond is exchanged for Definitive Covered Bonds, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST, and such announcement will include all material information with respect to the delivery of the Definitive Covered Bonds, including details of the paying agent in Singapore.

Documents Available

From the date hereof and so long as the Covered Bonds are capable of being issued under the Programme, following prior written request and proof of holding and identity to the satisfaction of the Issuing and Paying Agent, copies of the following documents (and for items (a), (d) and (g), to the extent the same have been made available to the Issuing and Paying Agent by the Issuer), when published, may be obtained by Covered Bondholders at all reasonable times during normal business hours (being between 9:00 a.m. (London time) and 3:00 p.m. (London time)), on any Business Day (except Saturdays and Sundays and legal holidays) at the specified office of the Issuing and Paying Agent, being at the time of this Offering Circular at Citibank, N.A., London Branch, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom:

(a) the Issuer's articles of incorporation (together with English translations);

(b) this Offering Circular;

(c) each of the following transaction documents (the "**Transaction Documents**"):

- Agency Agreement;
- Bank Account Mandate;
- Bond Trust Deed;
- Dealer Agreement;
- Designated FX Account Mandate;
- Master Definitions Schedule;
- Programme Deed;

(d) the most recently published (if available) audited consolidated annual financial statements of the Issuer and the most recently published interim financial statements of the Issuer (together with English translations);

(e) forms of the Global Covered Bonds, the Global Certificates, the Definitive Covered Bonds, the Coupons and the Talons;

(f) any future offering circulars, prospectuses, information memoranda and supplements includingPricing Supplement (save that Pricing Supplement relating to an unlisted Covered Bond will only be available for inspection by a holder of such Covered Bond and such holder must produce evidence satisfactory to the Issuer and the Issuing and Paying Agent as to its holding of the Covered Bond and identity) to this Offering Circular and any other documents incorporated herein or therein by reference; and

(g) in the case of each issue of listed Covered Bonds subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

Clearing Systems

The Covered Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The Issuer may also apply to have Covered Bonds accepted for clearance through the CMU. The relevant CMU instrument number will be specified in the applicable Pricing Supplement. The appropriate Common Code and ISIN for each Tranche of Bearer Covered Bonds allocated by Euroclear and Clearstream, Luxembourg, along with the Issuer's LEI (9884002AAOBT56QW9B80), will be specified in the applicable Pricing Supplement. In addition, the Issuer may make an application for any Covered Bonds in registered form to be accepted for trading in book-entry form by DTC. The CUSIP and/or CINS numbers for each Tranche of Registered Covered Bonds, together with the relevant ISIN and common code, will be specified in the applicable Pricing Supplement. If the Covered Bonds are to clear through an additional or Alternative Clearing System, the appropriate information will be specified in the applicable Pricing Supplement.

The address of Euroclear is 1 Boulevard du Roi Albert II, B. 1210 Brussels, Belgium; the address of Clearstream, Luxembourg is 42 Avenue J. F. Kennedy, L-1855 Luxembourg; and the address of DTC is 55 Water Street, New York, New York 10041-0099, USA.

Significant or Material Change

There has been no significant change in the financial or trading position of the Issuer and its subsidiaries since 31 December 2024 and there has been no material adverse change in the prospects of the Issuer and its subsidiaries since 31 December 2024.

Litigation

Neither the Issuer nor any of its subsidiaries is or has been involved in any legal, arbitration, administrative or other proceedings, which might have or have had in the recent past (covering at least the previous 12 months preceding the date of this document) a significant effect on the financial position or the operations of the Issuer and its subsidiaries, nor is the Issuer aware of any such proceedings pending or being threatened, except as described under "*Korea Housing Finance Corporation—Legal Proceedings*".

Legal Matters

Certain legal matters in connection with the offering of the Covered Bonds will be passed upon for the Issuer by Kim & Chang, Korean legal counsel to the Issuer. Certain legal matters in connection with the offering of the Covered Bonds will be passed upon for the Arranger by Linklaters LLP, English legal counsel to the Arranger and the Dealers.

Independent Auditors

The Issuer's consolidated financial statements as of and for the years ended 31 December 2024 and 31 December 2023 have been audited by Ernst & Young Han Young, independent auditors, as stated in their reports appearing herein.

Limitations Under U.S. Tax Law

The following legend will appear on all Bearer Covered Bonds which have an original maturity of more than 365 days and on all Coupons and Talons relating to such Bearer Covered Bonds:

"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED."

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Covered Bonds, Coupons or Talons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Covered Bonds, Coupons or Talons.

Words and expressions used in this Offering Circular shall, unless otherwise defined in this Offering Circular, have the same meanings as are set out below.

"Account Bank" means:

(a) the Collection Account Bank in connection with the Collection Account;

(b) the Designated FX Bank in connection with the Designated FX Account;

(c) the Reserve Account Bank in connection with the Reserve Cash Account;

(d) the PMT Account Bank in connection with the PMT Cash Account;

(e) the Collateral Account Custodian Bank in connection with the Collateral Account(s) (if any); and/or

(f) the Substitute Account Bank in connection with the Accumulation Accounts (if any),

or, in each case, any successor or substitute bank appointed from time to time in accordance with **Clause 11.32 (Rating and Closure or Resignation of the Collection Account Bank, Reserve Account Bank, the Designated FX Bank, the PMT Trustee or the PMT Account Bank)** or **Clause 11.33 (Substitute Account Bank)** of the Programme Deed.

"Account Holder"

(a) in respect of the Collection Account and the Reserve Cash Account, such term has the meaning given to it in the Bank Account Mandate; and

(b) in respect of the Designated FX Account, such term has the meaning given to it in the Designated FX Account Mandate.

"Accumulation Account Mandates" means the account mandates to be entered into in respect of the Accumulation Account by Citibank Korea Inc. or one of its

Affiliates and the Asset Monitor, among others, in accordance with **Clause 11.30** (**Accumulation Account Mandates**) of the Programme Deed.

"Accumulation Accounts" means the accounts to be opened in the name of the Issuer at Citibank Korea Inc. or one of its Affiliates or successor in accordance with **Clause 11.25** (**Accumulation Accounts**) of the Programme Deed, being the Interest Accumulation Account and the Principal Accumulation Account.

"Act on Real Name Financial Transactions and Confidentiality" means the Act on Real Name Financial Transactions and Confidentiality of Korea (Act No. 5493, 31 December 1997), as amended from time to time, and the rules, regulations and decrees promulgated thereunder.

"Addition Date" means each date on which additional Mortgage Loans are included in the Cover Pool following establishment of the Initial Cover Pool, from time to time, prior to the occurrence of an Issuer Event of Default.

"Adjusted Aggregate Loan Amount" means the amount calculated on each Calculation Date as follows:

A + B + C – Z

where

A = the product of:

(i) the Asset Percentage; and

(ii) aggregate "**Arrears Adjusted Current Balance**" of the Mortgage Loans in the Cover Pool as at the relevant Calculation Date, which shall be the lower of (a) the actual current balance of each Mortgage Loan in the Cover Pool at the end of the related Calculation Period *multiplied by* **N** and (b) the Indexed Valuation relating to that Mortgage Loan *multiplied* by 70%

where **N** =

(a) 1 for all Mortgage Loans that are less than 3 months in arrears or not in arrears;

(b) 0.7 for all Mortgage Loans that are 3 months or more in arrears but less than 6 months in arrears; and

(c) 0 for all Mortgage Loans that are 6 months or more in arrears or defaulted.

minus

the sum of the following deemed reductions to the aggregate Arrears Adjusted Current Balance of the Mortgage Loans in the Cover Pool resulting from the occurrence of any of the following occurred during the related Calculation Period:

(i) a Mortgage Loan was, in the related Calculation Period, in breach of the Representations and Warranties contained in the Programme Deed. In this event, the aggregate Arrears Adjusted Current Balance of the Mortgage Loans in the Cover Pool (as calculated on the relevant Calculation Date) will be deemed to be reduced by an amount equal to the Arrears Adjusted Current Balance of the relevant Mortgage Loan or Mortgage Loans (as calculated on the relevant Calculation Date);

and/or

(ii) the Issuer, in any Calculation Period, was in breach of any other material warranty under, or material term of, the Programme Deed. In this event, the aggregate Arrears Adjusted Current Balance of the Mortgage Loans in the Cover Pool (as calculated on the relevant Calculation Date) will be deemed to be reduced by an amount equal to the resulting financial loss, if any, attributable to the Cover Pool in the related Calculation Period as a result of such breach;

B = the aggregate amount of any Principal Collections on the Mortgage Loans in the Collection Account and recorded on the Principal Ledger at the end of the related Calculation Period;

C = the sum of (i) the aggregate value outstanding under all Eligible Investments (if applicable, multiplied by the valuation percentage applicable to each such Eligible Investment being the percentage figures that are necessary to ensure that the Covered Bonds maintain the then current ratings assigned to them by S&P and Moody's, *provided that* the applicable

	valuation percentage shall in no circumstances be greater than 100%); and (ii) the Pre-Maturity Liquidity Assets Value as at the relevant Calculation Date; **Z** = the Negative Carry Factor multiplied by the aggregate of B, C and the Arrears Adjusted Current Balance.
"Affected Party"	has the meaning given to it in the Swap Agreements.
"Affiliate"	means, (a) in relation to any person, any entity controlled, directly or indirectly, by that person, any entity that controls, directly or indirectly, that person or any entity directly or indirectly under common control with that person. For this purpose, "**control**" of any entity means ownership of a majority of the voting power of the entity or person; and (b) in the case of the Subscription Agreement only, an affiliate as defined in Rule 501(b) of Regulation D under the Securities Act.
"Agency Agreement"	means the agency agreement and the schedules thereto, dated on or about the Programme Date between, among others, the Issuer, the Bond Trustee and the Issuing and Paying Agent as amended and supplemented by the CMU Supplemental Agency Agreement, as may be amended, modified, varied, novated, supplemented, restated or replaced from time to time.
"Agents"	means, together, the Issuing and Paying Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Calculation Agent, the Transfer Agent and the Registrar and any successor Issuing and Paying Agent, CMU Lodging and Paying Agent, Paying Agents, Calculation Agent, Transfer Agent and Registrar appointed from time to time in accordance with the Agency Agreement, and any reference to an "**Agent**" is to any one of them.
"Agreed Upon Procedures"	means the procedures agreed between the Issuer and the accounting firm undertaking a Cover Pool Audit and approved by the Dealers, as set out in **Schedule 4** (**Agreed Upon Procedures**) of the Programme Deed, as amended from time to time.
"Amortisation Test"	has the meaning given to it in **Clause 7** (**Amortisation Test**) of the Programme Deed.
"Amortisation Test Adjusted Aggregate Loan Amount"	means the amount calculated as at each Calculation Date as follows: A + B + C

where

A = the aggregate of the following in respect of each Mortgage Loan:

(i) the actual current balance of each Mortgage Loan in the Cover Pool at the end of the related Calculation Period; *multiplied by*

(ii) **N**,

"**N**", "**B**" and "**C**" each has the meaning given to it in the definition of Adjusted Aggregate Loan Amount.

"Applicable Exchange Rate" means the weighted average of foreign exchange conversion rates of the currency of the relevant Series of Covered Bonds and Won specified under the Swap Agreements, subject to the following requirements:

(a) if any Swap Agreement is terminated and a new Swap Agreement is entered into in respect of it using a different exchange rate, the Applicable Exchange Rate shall be the weighted average of exchange rates under the non-terminated Swap Agreements in force at the relevant time; or

(b) if any Swap Agreement is terminated and no new Swap Agreement is entered into in respect of it, the Applicable Exchange Rate shall be the weighted average swap rate as determined by the Bond Trustee taking into account (i) the exchange rate in the non-terminated Swap Agreements in force and (ii) the Spot Exchange Rate, in each case, at the relevant time.

"Approved Ratings" means the required ratings specified below (or, except for sub-paragraph (d)(iv)(B) below, such other rating or ratings as published by the relevant Rating Agency in its most recent ratings criteria from time to time to maintain the then current ratings of the Covered Bonds by such Rating Agency):

(a) with respect to the Issuer, (i) the long-term senior unsecured foreign currency rating of "B" or higher by S&P; and (ii) the long-term senior unsecured foreign currency rating of "B2" or higher by Moody's;

(b) with respect to an Account Bank (including a Substitute Account Bank) or its Guarantor under an Eligible Guarantee, if applicable:

(i) (A) the long-term foreign currency issuer credit rating or (B) the lower of (1) the long-term foreign currency issuer credit rating of its head office and (2) the long-term sovereign credit rating of the country in which the Account Bank is located, is "BBB" or higher by S&P; and

(ii) the long-term bank deposit rating is "Baa1" or higher by Moody's with respect to the Account Bank or, if the Account Bank does not maintain a rating by Moody's, the Account Bank's head office;

(c) with respect to a Swap Provider,

(i) (A) the long-term resolution counterparty rating of BBB or higher by S&P or (B) the long-term foreign currency issuer credit rating of "BBB" or higher by S&P or (C) the lower of (1) (x) the long-term resolution counterparty rating of its head office or (y) the long-term foreign currency issuer credit rating of its head office, and (2) the long-term sovereign credit rating of the country in which the Swap Provider is located, is of "BBB" or higher by S&P; and

(ii) (A) the senior unsecured debt rating of "Baa1" or higher by Moody's or (B) the long-term counterparty risk assessment rating of "Baa1(cr)" or higher by Moody's;

(d) with respect to Eligible Investments that:

(i) comprise of Won denominated overnight or term deposits made with the Account Bank:

(A) the long-term foreign currency issuer credit rating of "BBB" or higher by S&P; and

(B) the long-term bank deposit rating of "Baa1" or higher by Moody's; or

(ii) comprise of Won denominated overnight or term deposits not made with the Account Bank maturing 60 days or less:

(A) the short-term foreign currency issuer credit rating of A-1 or higher by S&P; and

(B) the long-term bank deposit rating of "Baa1" or higher by Moody's; or

(iii) comprise of Won denominated overnight or term deposits not made with the Account Bank maturing greater than 60 days:

(A) the short-term issuer credit rating of at least "A-1+" by S&P; and

(B) the long-term bank deposit rating of "Baa1" or higher by Moody's; or

(iv) comprise of Korea Treasury Bonds:

(A) the higher of (1) the long-term or short-term foreign currency issuer credit rating of the Issuer and (2) a long-term foreign currency issuer credit rating of "AA-" or higher by S&P or a short-term foreign currency issuer credit rating of at least "A-1+" by S&P; and

(B) a long-term issuer or senior unsecured rating of at least "A3" by Moody's;

(e) with respect to Authorised Investments that:

(i) mature in 60 days or less,

(A) the short-term foreign currency issuer credit rating of "A-1" or higher by S&P; and

(B) the long-term bank deposit rating of "Baa1" or higher by Moody's; or

(ii) mature greater than 60 days,

(A) a short-term foreign currency issuer credit rating of at least "A-1+" by S&P; and

(B) the long-term bank deposit rating of "Baa1" or higher by Moody's; and

(f) with respect to the PMT Trustee, the long-term bank deposit rating is "Baa1" or higher by Moody's with respect to the PMT Trustee or, if the PMT Trustee does not maintain a rating by Moody's, the PMT Trustee's head office.

"Approved Servicing Agreement" has the meaning given to it in **Clause 8.3(a)(iii)** (**Delegation of Servicing**) of the Programme Deed, each of which may be amended by the Issuer from time to time in accordance with the Programme Deed.

"Arranger" means BNP PARIBAS.

"Asset Coverage Test" means the test conducted by the Issuer, or the Asset Monitor, as the case may be, under the terms of the Programme Deed, to ensure that (in the case of the Issuer) on each Calculation Date or (in the case of the Asset Monitor) each Testing Date the Adjusted Aggregate Loan Amount is at least equal to the Won Equivalent of the aggregate Principal Amount Outstanding of all the Covered Bonds as calculated on the relevant Calculation Date.

"Asset Coverage Test Breach Notice" means the notice required to be served by the Asset Monitor pursuant to **Clause 8.6(d)** of the Programme Deed if the Asset Coverage Test has not been met (substantially in the form set out in **Schedule 6** (**Form of Asset Coverage Test Breach Notice**) of the Programme Deed).

"Asset Monitor" means Nexia Samduk, a company organised and existing under the laws of Korea or any successor or substitute asset monitor appointed from time to time in accordance with the Programme Deed.

"Asset Monitor Fee Letter" means the fee letter entered into on or before the Programme Date by the Issuer and the Asset Monitor in respect of the remuneration to be paid to the Asset Monitor in accordance with **Clause 22** (**Remuneration**) of the Programme Deed.

"Asset Percentage" means the lowest of:

(i) such percentage figure determined by the Issuer on the relevant Calculation Date, being the percentage

figure that is necessary to ensure that the Covered Bonds maintain the then current ratings assigned to them by S&P; and

(ii) such percentage figure (1) as may be determined from time to time by the Issuer and notified in writing to Moody's and the Asset Monitor on such Calculation Date or (2) where the Issuer has not notified Moody's and the Asset Monitor in writing of the minimum percentage figure on the relevant Calculation Date, on the last date of such notification, and such percentage figure in (1) or (2) being in each case the difference between 100% and the amount of credit enhancement required to support the then current ratings of the Covered Bonds under Moody's expected loss methodology, provided that for as long as any Covered Bonds remain outstanding whose ratings have been downgraded by Moody's at any point since their relevant original Issue Date, the Asset Percentage shall not be greater than the higher of (a) the Asset Percentage last notified to Moody's and the Asset Monitor in writing by the Issuer prior to the first such downgrade, or (b) the lowest value for (X) in respect of each downgrade where (X) in respect of each such downgrade is equal to the respective Attributed Moody's Asset Percentage specified in the relevant Pool Report most recently delivered prior to such downgrade,

provided that there is no obligation on the Issuer to maintain a rating by the S&P and/or Moody's and the Issuer is under no obligation to change the percentage figure determined by it and notified by it in writing to S&P and/or Moody's, in line with the level of credit enhancement required to ensure a rating is maintained by S&P and/or Moody's.

"Attributed Moody's Asset Percentage" means the percentage figure for Moody's as set out in each Pool Report which notwithstanding the percentage figure that may be selected by the Issuer from time to time and notified in writing to the Asset Monitor and Moody's, is the percentage figure as at each Calculation Date, which is the difference between 100% and the amount of credit enhancement required to support the then current ratings of the Covered Bonds under Moody's expected loss methodology.

"Authorised Investments" means overnight or term deposits in the name of the Bond Trustee, made with an international bank with the Approved Rating; *provided that*:

(a) no deposit shall be an Authorised Investment if it evidences the right to receive interest only;

(b) all deposits shall mature at least two (2) Business Days prior to the Interest Payment Date next following the date of deposit;

(c) the amount of the deposit redeemable on maturity must be at least equal to the original deposit amount;

(d) early withdrawal will not result in any penalty as to the principal amount of the deposit; and

(e) any deposit shall be made in the same currency as the moneys held by the Bond Trustee.

"Authorised Signatories" means for the purposes of the Bond Trust Deed, any person authorised to sign documentation on behalf of the Bond Trustee or the Issuer in respect of their obligations under the Bond Trust Deed.

"Back-Up Servicer" has the meaning given to it in **Clause 8.4** (**Appointment of Back-up Servicer**) of the Programme Deed and, in the event, the term shall be construed, where the context so requires to include any Substitute Back-Up Servicer.

"Back-Up Servicer Fee Letter" means any fee letter to be entered into by the Issuer and the Back-Up Servicer following the occurrence of a Back-up Servicer Trigger Event in respect of the remuneration to be paid to the Back-Up Servicer in accordance with **Clause 7** (**Remuneration**) of the Back-Up Servicing Agreement.

"Back-Up Servicer Trigger Event" means, at any time, (a) the long-term senior unsecured foreign currency rating of the Issuer is withdrawn or falls below "B" by S&P or the long-term senior unsecured foreign currency rating of the Issuer is withdrawn or falls below "B2" by Moody's or (b) an Issuer Event of Default has occurred.

"Back-Up Servicing Agreement" means the form set out in **Schedule 7** (**Form of Back-Up Servicing Agreement**) of the Programme Deed or, if an agreement is entered into between the Issuer and a Back-Up Servicer, among others, under and pursuant to which such

	Back-Up Servicer is appointed and undertakes its functions following the occurrence of a Back-Up Servicer Trigger Event in accordance with **Clause 8.4** (**Appointment of Back-up Servicer**) of the Programme Deed, such agreement.
"Bank Account Mandate"	means the bank account mandate dated on or about the Programme Date between the Issuer, the Collection Account Bank, the Reserve Account Bank and the Asset Monitor, pursuant to which the operation of the Collection Account and Reserve Cash Account are regulated.
"Bank Accounts"	means the Collection Account, the Reserve Cash Account, the Designated FX Account(s), the Interest Accumulation Account, the Principal Accumulation Account, the Collateral Account(s), the Reserve Securities Account (if any), the PMT Cash Account (if any) and the PMT Securities Account (if any).
"Bank Termination Event"	has the meaning given to it in **Clause 11.32** (**Rating and Closure or Resignation of the Collection Account Bank, Reserve Account Bank, the Designated FX Bank, the PMT Trustee or the PMT Account Bank**) of the Programme Deed.
"Bearer Covered Bond"	means a Covered Bond that is in bearer form, and includes any replacement Bearer Covered Bond issued pursuant to the Bond Trust Deed, the Agency Agreement and the Conditions and any Temporary Global Covered Bond or Permanent Global Covered Bond.
"Bloomberg"	means Bloomberg Financial Markets Commodities News.
"Bond Trust Deed"	means the trust deed and the schedules thereto dated on or about the Programme Date between the Issuer and the Bond Trustee under and pursuant to which the Covered Bonds are constituted, as may be amended, modified, varied, novated, supplemented, restated or replaced from time to time.
"Bond Trustee"	means Citicorp International Limited, a company incorporated in Hong Kong with its registered office at 20th Floor, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, in its capacity as the Bond Trustee for the Covered Bondholders appointed pursuant to the Bond Trust Deed.
"Bond Trustee Fee Letter"	means the fee letter entered into by the Bond Trustee and the Issuer on or about the Programme Date setting out the payment terms of all fees and expenses to be paid by the Issuer to the Bond Trustee in respect of the Covered Bonds.

"Borrower" means the borrower of a Mortgage Loan.

"Business Day" means:

(a) in respect of the Conditions, "Business Day" as defined in **Condition 4.10** (**Definitions**);

(b) in respect of the Agency Agreement and each Covered Bond, (i) a day (other than a Saturday or Sunday) on which Euroclear, Clearstream, Luxembourg and DTC are operating and (ii) a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for general business in the city of the Issuing and Paying Agent's (and, in the case of Registered Covered Bonds, the city of the Registrar's) specified office, London, New York, Hong Kong, Singapore and Seoul and (iii) (if payment is to be made on that day) a day on which commercial banks and foreign exchange markets are open for general business in the principal financial centre for the currency of the payment or, in the case of Euro, a day on which the TARGET (the Trans-European Automated Real-time Gross settlement Express Transfer system) is operating; or

(c) otherwise, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for general business (including dealings in foreign exchange and foreign currency deposits) and can settle payments in London, New York, Hong Kong, Singapore and Seoul.

"Business Day Convention" has the meaning given to it in **Condition 4.2(b)** (**Business Day Convention**) of the Conditions.

"Calculation Agent" means, in relation to all or any Series of the Covered Bonds, the person initially appointed as calculation agent in relation to such Covered Bonds by the Issuer pursuant to the Agency Agreement and named as such in the Conditions or, if applicable, any successor or separately appointed calculation agent in relation to all or any Series of the Covered Bonds.

"Calculation Date"	means the fifteenth (15th) day of each Calculation Period except that the Calculation Date in respect of the first Calculation Period if such Calculation Period is shorter than fifteen (15) days, shall be the last day of the first Calculation Period; *provided further that* if such date is not a Business Day, the immediately preceding Business Day in that Calculation Period if there is one or the immediately succeeding Business Day if there is not.
"Calculation Period"	means, in respect of any Calculation Date, the period from, and including, the first day or each month to, and including, the last day of the month most recently ended except that the first Calculation Period means the period from and including the Programme Date to and including the last day of the month in which the Programme Date falls.
"Certificate"	means a registered certificate representing one or more Registered Covered Bonds of the same Series and, save as provided in the Conditions, comprising the entire holding by a Covered Bondholder of its Registered Covered Bonds of that Series and, save in the case of Global Certificates, being substantially in the form set out in **Schedule 3 Part 2** (**Form of Certificate**) to the Bond Trust Deed.
"Chairman"	means the chairman on a meeting of the Covered Bondholders held in accordance with **Schedule 4** (**Provision for Meetings of Covered Bondholders**) of the Bond Trust Deed.
"Change of Control"	has the meaning given to it in **Condition 6.4** (**Redemption due to a Change of Control**) of the Conditions.
"Clearstream" or "Clearstream, Luxembourg"	means Clearstream Banking S.A.
"CMU"	means the Central Moneymarkets Unit Service operated by the HKMA.
"CMU Issue Position Report"	shall have the meaning specified in the CMU Rules.
"CMU Lodging and Paying Agent"	means the agent appointed by the Issuer pursuant to the Agency Agreement, which expression shall include any successor CMU Lodging and Paying Agent.
"CMU Reference Manual"	means the reference manual relating to the operation of the CMU issued by the HKMA to CMU Members, as amended from time to time.

"CMU Member"	means any member of the CMU.
"CMU Rules"	means all requirements of the CMU for the time being applicable to a CMU Member and includes (a) all the obligations for the time being applicable to a CMU Member under or by virtue of its membership agreement with the CMU and the CMU Reference Manual; (b) all the operating procedures as set out in the CMU Reference Manual for the time being in force in so far as such procedures are applicable to a CMU Member; and (c) any directions for the time being in force and applicable to a CMU Member given by the HKMA through any operational circulars or pursuant to any provision of its membership agreement with the HKMA or the CMU Reference Manual.
"Code"	means the United States' Internal Revenue Code of 1986, as amended.
"Collateral Account"	means, in respect of each Swap Agreement, has the meaning given to it in the relevant Collateral Agreement.
"Collateral Account Custodian Bank"	means, in respect of each Swap Agreement, has the meaning given to it in the relevant Collateral Agreement.
"Collateral Account Custodian Bank Agreement"	means each collateral account custodian bank agreement entered into in respect of each Swap Agreement and each Novated Swap Agreement by the Issuer, the Asset Monitor and the Swap Delegate with the Initial Collateral Account Custodian Bank and the applicable Swap Provider on or about the relevant Issue Date, and any additional or replacement collateral account custodian bank agreements and/or custody agreements and/or account bank agreements that may be entered into by the Issuer, the Asset Monitor and the Swap Delegate with any Collateral Account Custodian Bank and the applicable Swap Provider from time to time pursuant to a Collateral Agreement.
"Collateral Agreement"	means each collateral agreement entered into in respect of each Swap Agreement and each Novated Swap Agreement by the Issuer, the Asset Monitor and the Swap Delegate with the applicable Swap Provider on or about the relevant Issue Date.
"Collateral Security"	means any real or personal Security Interest, including, without limitation, a guarantee, provided by a party other than the Borrower in order to support the Borrower's obligations in respect of a Mortgage Loan.

"Collection Account"	has the meaning given to it in **Clause 11.1(a)** (**Opening of the Collection Account**) of the Programme Deed.
"Collection Account Bank"	means KEB Hana Bank or any of its Affiliates or any successor or substitute bank, acting as account bank of the Collection Account in connection with the Cover Pool and appointed under the Collection Account Mandate.
"Collection Account Mandate"	as referred to in **Clause 11.4** (**Collection Account Mandate**) of the Programme Deed shall as at the Programme Date mean the Bank Account Mandate.
"Collection Period"	means the period from and including an Interest Payment Date to but excluding the next Interest Payment Date; *provided that* the first Collection Period shall commence on the Programme Date.
"Commission"	means the Securities and Exchange Commission.
"Common Code"	means the securities identifier code issued in Luxembourg in respect of Euroclear.
"Common Depositary"	means Citibank Europe plc, of c/o Citibank, N.A., Dublin Branch, Ground Floor, 1 North Wall Quay, Dublin 1, Ireland, a depositary common to Euroclear and Clearstream, Luxembourg.
"Conditions" or "Terms and Conditions"	means the terms and conditions of the Covered Bonds of each Series which shall be substantially in the form set out in **Schedule 1** (**Terms and Conditions of the Covered Bonds**) to the Bond Trust Deed and as the same may from time to time be modified, with respect to any Covered Bonds represented by a Global Certificate or a Global Covered Bond, by provisions of such Global Certificate or Global Covered Bond and shall incorporate any additional provisions forming part of such terms and conditions set out in Part A of the Pricing Supplement relating to the Covered Bonds of that Series and be endorsed on the Definitive Covered Bonds subject to amendment and completion as referred to in the first paragraph of **Schedule 1** (**Terms and Conditions of the Covered Bonds**) to the Bond Trust Deed (and references to a particular numbered Condition shall be interpreted accordingly).
"Counterparty Replacement Notice"	has the meaning given to it in the Swap Agreements.

"Coupons"	means the bearer coupons relating to interest-bearing Bearer Covered Bonds or, as the context may require, a specific number of them and includes any replacement Coupons issued pursuant to the Conditions.
"Couponholder"	has the meaning given to it in the Conditions.
"Covered Bond Acceleration Notice"	has the meaning given to it in **Condition 9.2** (**Covered Bond Events of Default**) of the Conditions.
"Covered Bond Event of Default"	means an event described in **Condition 9.2** (**Covered Bond Events of Default**) of the Conditions.
"Covered Bondholders"	means: (a) for so long as the Covered Bonds are held in global form, the persons indicated as such according to **Condition 1.1** (**Form and Denomination**) of the Conditions; and (b) for so long as the Covered Bonds are held in definitive form, the persons who are for the time being shown in the Register as the holder of the Principal Amount Outstanding of the Covered Bonds.
"Covered Bonds"	means covered bonds issued or to be issued by the Issuer pursuant to the Dealer Agreement and any other covered bonds issued by the Issuer pursuant to the Bond Trust Deed which share priority recourse to the Cover Pool, which may be represented by a Temporary Global Covered Bond, a Permanent Global Covered Bond, a Definitive Covered Bond or a Global Certificate. Unless context requires otherwise, references in a Transaction Document to a particular Series of Covered Bonds shall be construed to include any further bonds as may be issued in accordance with **Condition 11 (Further Issues)** and consolidated and forming a single series with such Covered Bonds.
"Cover Pool"	means the dynamic pool of Mortgage Loans which, after the occurrence of an Issuer Event of Default, are available to service the debts of the Issuer in respect of all the Covered Bonds and which benefit from the provision of Article 31(2) of the KHFC Act, together with certain related assets more completely described as Cover Pool Assets. For the avoidance of doubt, the "**Cover Pool**" shall be construed to include all Cover Pool Assets.

"Cover Pool Assets" means the specific assets from time to time constituting the Cover Pool being:

(a) Mortgage Loans designated by the Issuer as such from time to time;

(b) any cash collection generated in respect of such Mortgage Loans, including those held within the Collection Account, Reserve Cash Account or Accumulation Accounts;

(c) any Eligible Investments made using cash collections generated in respect of such Mortgage Loans and cash collections thereon included in the Collection Account;

(d) any Swap Receipts, including those held within the Designated FX Account;

(e) any Pre-Maturity Liquidity Assets added to the Pre-Maturity Liquidity Ledger of the Reserve Cash Account and/or of the Reserve Securities Account (as applicable); and

(f) any other proceeds of such Mortgage Loans, howsoever generated, including from the disposal thereof.

"Cover Pool Audit" means the audit carried out and to be carried out, on an annual basis, by the Asset Monitor, pursuant to the terms of the agreed upon procedures letter entered into with the Issuer, to confirm that the Mortgage Loans included in the Cover Pool are in compliance with the Representations and Warranties and with the Eligibility Criteria, as contemplated in **Clause 8.6** (**Reporting, Calculation and Audit Requirements**) of the Programme Deed.

"Cover Pool Shortfall Amount" has the meaning given to it in the Swap Agreements.

"Custodian" means, in relation to a Series of Covered Bonds, a custodian for DTC.

"Cut-off Date" means, with respect to the Representation and Warranty set out in **paragraph (g)** of **Part B** of **Schedule 1** of the Programme Deed, the date to which that Representation and Warranty relates in accordance with the terms thereof,

notwithstanding that such Representation and Warranty is made on an Addition Date.

The Cut-Off Date, in respect of the Mortgage Loans that are to be included in the Cover Pool on the first Issue Date and each Addition Date, will be a date selected by the Issuer.

"Daily Cash Release" has the meaning given to it in **Clause 12.1 (Cash Application prior to an Issuer Event of Default)** of the Programme Deed.

"Dealer" means and includes each other person who has been, or, for the purposes of **Clause 2** (**Offers and Sales of Covered Bonds**) of the Dealer Agreement, who is subsequently, appointed as a Dealer pursuant to **Clause 13** (**Termination and Appointment**) of the Dealer Agreement (but excludes each person who has ceased to be a Dealer pursuant to **Clause 13** (**Termination and Appointment**) of the Dealer Agreement or whose appointment has lapsed pursuant to its terms).

"Dealer Agreement" means the dealer agreement relating to the Programme dated the Programme Date, as may be amended or restated from time to time, between, among others, the Issuer, BNP PARIBAS as the Arranger and Permanent Dealers.

"Definitive Covered Bonds" means a Bearer Covered Bond in definitive form having, where appropriate, Coupons and/or a Talon attached on issue and, unless the context requires otherwise, means a Certificate (other than a Global Certificate) and includes any replacement Covered Bond or Certificate issued pursuant to the Condition.

"Designated FX Account" means the account opened by the Issuer at the Designated FX Bank in accordance with **Clause 11.22** (**Designated FX Account**) of the Programme Deed.

"Designated FX Account Mandate" means the account mandate entered into in respect of the Designated FX Account by the Designated FX Bank and the Asset Monitor, among others, in accordance with **Clause 11.24** (**Designated FX Account Mandate**) of the Programme Deed.

"Designated FX Bank" means KEB Hana Bank or any of its Affiliates or any successor or substitute bank appointed under **Clause 11.32** (**Rating and Closure or Resignation of the Collection Account Bank, Reserve Account Bank, the Designated FX Bank, the PMT Trustee or the PMT Account Bank**) of the Programme Deed. For the avoidance of doubt, the Designated FX Bank is not

	intended to be subject to **Clause 11.33** (**Substitute Account Bank**) of the Programme Deed.
"Disputes"	means any disputes which may arise out of or in connection with a Transaction Document (including regarding its existence, validity or termination).
"DTC"	means the depository trust company or its successors.
"Early Acceleration Notice"	has the meaning given to it in **Condition 9.1** (**Issuer Events of Default**) of the Conditions.
"Early Redemption Amount"	has the meaning given to it in **Condition 6.6** (**Early Redemption Amounts**) of the Conditions.
"Eligibility Criteria"	means the eligibility criteria in respect of the Mortgage Loans to be included in the Cover Pool as set out in **Part A** of **Schedule 1** of the Programme Deed.
"Eligible Guarantee"	means an unconditional and irrevocable guarantee that is provided by a guarantor as principal debtor rather than surety and is directly enforceable against the guarantor by the account holder and which covers all amounts from time to time payable (as applicable) by: (a) the Account Bank to the Account Holder; or (b) the Substitute Account Bank to the Account Holder.
"Eligible Investments"	means (i) Korea Treasury Bonds with the Approved Ratings and (ii) Won denominated overnight or term deposits in the name of the Issuer, made with a bank in Korea with the Approved Rating; *provided that*: (a) Korea Treasury Bonds and deposits shall not be an Eligible Investment if it evidences the right to receive interest only; (b) all Korea Treasury Bonds and deposits shall mature at least two (2) Business Days prior to the following Interest Payment Date and, if no Covered Bonds of any Series are outstanding, shall mature in not more than 365 days; and (c) the amount of any deposit redeemable on maturity or early termination must be at least equal to the original deposit

amount and the amount of the bonds redeemable on maturity or early termination must be at least equal to its face value.

"Eligible Liquid Asset(s)" means a Liquid Asset that, as at the relevant Calculation Date or other applicable date of determination:

(a) for so long as the Programme is rated by Moody's, (i) is denominated in KRW; (ii) satisfies the Moody's Liquid Asset Required Rating; and (iii) has a fixed principal amount due at its maturity and does not include any embedded option (i.e., it is not callable, puttable, or convertible), unless full payment of principal is paid in cash upon the exercise of the relevant option; and

(b) for as long as the Programme is rated by S&P, (i) is denominated in KRW; (ii) has the S&P Liquid Asset Required Rating; and (iii) has a fixed principal amount due at its maturity and does not include any embedded option (i.e., it is not callable, puttable, or convertible), unless full payment of principal is paid in cash upon the exercise of the relevant option.

"Entrustment Date" means any date on which the Issuer is required to add any Pre-Maturity Liquidity Assets into the PMT Cash Account and/or the PMT Securities Account pursuant to **Clause 10.4 (Pre-Maturity Liquidity)** of the Programme Deed.

"Euro", "EUR" and "€" means the lawful single currency of participating member states of the European Economic and Monetary Union as contemplated by the Treaty Establishing the European Union.

"Euroclear" means Euroclear Bank SA/NV as operator of the Euroclear System.

"Excess Principal Collections" means, at any day prior to an Issuer Event of Default an amount equal to:

A – B – C

Where:

A = the Adjusted Aggregate Loan Amount as determined on the immediately preceding Calculation Date;

B = the Won Equivalent of the Principal Amount Outstanding of all the Covered Bonds on the immediately preceding Calculation Date;

C = assuming that A – B is a positive integer, the aggregate amount of the Principal Collections removed by the Issuer from the Collection Account since the immediately preceding Calculation Date;

provided that, the Excess Principal Collections can never be less than zero.

"Exchange Act" means the United States Securities Exchange Act of 1934, as amended.

"Extended Covered Bonds" means each Series of Covered Bonds for which an Extended Maturity Date is specified in the relevant Pricing Supplement and in respect of which a Maturity Extension Event has occurred.

"Extended Maturity Date" means, if applicable in respect of a Series of Covered Bonds, such date that is specified as such in the relevant Pricing Supplement.

"Extension Charges Balance" means, in respect of a Swap, has the meaning given to it in the relevant Swap Agreement.

"Extraordinary Resolution" has the meaning given to it in **Schedule 4** (**Provisions for Meetings of Covered Bondholders**) of the Bond Trust Deed.

"FATCA" means:

(a) Sections 1471 to 1474 of the Code or any associated regulation, instruction or other official guidance, as amended from time to time;

(b) any treaty, law, regulation, instruction or other official guidance enacted or amended in any other jurisdiction, or relating to an intergovernmental agreement between the United States and any other jurisdiction, which (in either case) facilitates the implementation of **paragraph (a)** above of this definition;

(c) any agreement pursuant to the implementation of **paragraph (a)** or **(b)** above of this definition with the U.S. Internal Revenue Service, the Government of the United States or any governmental or taxation authority in any other jurisdiction; or

(d) any treaty, law, regulation, instruction or other official guidance analogous to **paragraph (a)** or **(b)** of this definition enacted or amended in any other jurisdiction from time to time, and any agreement pursuant to the implementation of any such treaty, law, regulation, instruction or other official guidance with any governmental or taxation authority in any jurisdiction.

"FATCA Withholding" means any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement).

"Financial Company" means any of the following:

(a) an Account Bank;

(b) a bank licenced and established under the Bank Act;

(c) The Korea Development Bank under the Korea Development Bank Act;

(d) The Korea Exim Bank under the Export-Import Bank of Korea Act;

(e) The Industrial Bank of Korea under the Industrial Bank of Korea Act;

(f) NH Bank under the Agricultural Cooperatives Act;

(g) Credit business division of the National Federation of Fisheries Cooperatives under the Fisheries Cooperatives Act; or

(h) Korea Finance Corporation under the Korea Finance Corporation Act.

"Final Redemption Amount" has the meaning given to it in **Condition 6.9** (**Cancellation**) of the Conditions.

"Fixed Rate Covered Bond"	means a Covered Bond which bears interest on its outstanding nominal amount in accordance with **Condition 4.1** (**Interest on Fixed Rate Covered Bonds**) of the Conditions.
"Floating Rate Business Day Convention"	has the meaning given to it in **Condition 4.2(b)** (**Business Day Convention**) of the Conditions.
"Floating Rate Covered Bond"	means a Covered Bond which bears interest on its outstanding nominal amount in accordance with **Condition 4.2** (**Interest on Floating Rate Covered Bonds**) of the Conditions.
"Following Business Day Convention"	has the meaning given to it in Condition 4.2(b) (Business Day Convention) of the Conditions.
"FSC"	means the Financial Services Commission of Korea or any successor entity appointed in respect of its functions.
"FSC Audit"	means the audit carried out by an accounting firm on each Addition Date pursuant to an agreed upon procedures letter to confirm compliance with the requirements imposed by the FSC.
"FSMA"	means the Financial Services and Markets Act 2000 of the United Kingdom, as amended.
"FSS"	means the Financial Supervisory Service of Korea or any successor entity appointed in respect of its functions.
"Global Certificate"	means a Certificate substantially in the form set out in **Schedule 2 Part 3** (**Form of Global Certificate**) to the Bond Trust Deed (and, for the avoidance of doubt, includes both a Rule 144A Covered Bond and the Regulation S Covered Bond) representing Registered Covered Bonds of one or more Tranches of the same Series that are registered in the name of a nominee for Euroclear, Clearstream, Luxembourg, DTC and/ or any other clearing system.
"Global Covered Bond"	means a global covered bond representing Bearer Covered Bonds of one or more Tranches of the same Series, being a Temporary Global Covered Bond and/or, as the context may require, a Permanent Global Covered Bond, in each case without Coupons or a Talon.
"Guarantor"	means the guarantor of the Account Bank or the Substitute Account Bank, as applicable, which has entered into an Eligible Guarantee in respect of the Account Bank or the Substitute Account Bank.

"Hard Bullet Covered Bonds" means Covered Bonds which are scheduled to be redeemed in full on their relevant Maturity Date without any provision for extension of their scheduled redemption past their Maturity Date and for which an Extended Maturity Date is not specified in the relevant Pricing Supplement.

"HKMA" means the Hong Kong Monetary Authority.

"Holders" means the persons determined in accordance with **Condition 1.1** (**Form and Denomination**) of the Conditions as being the holders of the Covered Bonds.

"Hong Kong" means the Hong Kong Special Administrative Region of the People's Republic of China.

"Indexed Valuation" means, for the purpose of determining compliance with the Asset Coverage Test on each Calculation Date, the indexed valuation then in force as determined by the Issuer or (as the case may be) the Asset Monitor, on the last day of the financial quarter immediately preceding the relevant Calculation Date, by reference to:

(a) for apartments, (i) KB Market Prices or (ii) the valuation published by Korea Appraisal Board (if no valuation from KB Market Prices is available) or (iii) KB Index (if KB Market Prices and the valuation from Korea Appraisal Board are not available); and

(b) for any other properties, KB Index.

"Initial Collateral Account Custodian Bank" means Citibank, N.A., Hong Kong Branch (花旗銀行), a banking corporation organised and existing under the laws of the U.S.A. with its registered address at 20th Floor, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, or any Affiliates thereof appointed as Collateral Account Custodian Bank pursuant to the respective Collateral Account Custodian Bank Agreements which expression shall where the context so admits, include any Collateral Account Custodian Bank appointed from time to time pursuant to the relevant Collateral Account Custodian Bank Agreement.

"Initial Cover Pool" means the portfolio of Mortgage Loans, particulars of which will be included in the Securitisation Plan on or about the Issue Date of the initial Series of Covered Bonds and registered with the FSC in accordance with the KHFC Act.

"Insolvency Event" means, in relation to any person, any of the following:

(a) its liabilities exceed its assets;

(b) the appointment of a provisional liquidator or liquidator in respect of it or the dissolution of it for any reason, including, without limitation, that it is or may be insolvent;

(c) it enters into an arrangement or compromise with, or assignment for the benefit of, all or any class of its creditors or members or a moratorium involving any of them;

(d) it being or stating that it is, or being deemed under any applicable law to be, unable to pay its debts as they fall due;

(e) the appointment of a receiver, receiver and manager, supervisor, examiner, administrator or similar official in respect of it or any part of its property;

(f) an application being made (which is not withdrawn or dismissed within ten (10) Business Days) for an order, a resolution being passed or proposed, a meeting being convened, or any other action being taken for the purpose of causing any of the events described in **paragraphs (a)** to **(e)** of this definition;

(g) (in the case of a person located in Korea) it becomes a failing company under the Corporate Restructuring Promotion Act, Act No. 15855, 16 October 2018 (as amended from time to time, and including any and all successor legislation thereto), or a failing financial institution under The Act on Structural Improvement of the Financial Industry, Act No. 5257, 13 January 1997 (the "**Act on the Structural Improvement of the Financial Industry**") (for the purposes of the Transaction Documents, a financial institution shall be deemed to be a failing financial institution if the FSC or the Governor of the FSS (acting upon a delegation of authority from the FSC) issues a recommendation, demand or order to improve the management of

such financial institution pursuant to the provisions of the Act on Structural Improvement of the Financial Industry and the implementing rules and regulations thereof);

(h) it ceases to carry on its business, or with respect to the Servicer or the Participating Banks its mortgage loan business or credit card business, or threatens to do so; or

(i) any event analogous to or having a similar effect to any of the events described in **paragraphs (a)** to **(h)** of this definition occurs under the laws of any relevant jurisdiction.

"Interest Accrual Period" has the meaning given to it in **Condition 4.10 (Definitions)** of the Conditions.

"Interest Accumulation Account" means the account opened in the name of the Issuer at Citibank Korea Inc. or one of its Affiliates or its successors in accordance with **Clause 11.25** (**Accumulation Accounts**) of the Programme Deed.

"Interest Amounts" has the meaning given to it in Condition 4.10 (Definitions) of the Conditions.

"Interest Collection" has the meaning given to it in Clause 11.3(b)(i) (Collection of Funds into the Collection Account) of the Programme Deed; *provided that* such term shall be construed to include the proceeds of any Eligible Investments made using Interest Collections as contemplated in **Clause 11.3(d)(i)** (**Collection of Funds into the Collection Account**) of the Programme Deed.

"Interest Commencement Date" has the meaning given to it in Condition 4.10 (Definitions) of the Conditions.

"Interest Determination Date" has the meaning given to it in Condition 4.10 (Definitions) of the Conditions.

"Interest Payment Date" has the meaning given to it in Condition 4.2(a) (Interest **Payment Dates**) of the Conditions.

"Interest Period" has the meaning given to it in Condition 4.10 (Definitions) of the Conditions.

"Investment Company Act" means the United States Investment Company Act of 1940, as amended.

"ISDA"	means the International Swaps and Derivatives Association Inc.
"ISDA Determination"	has the meaning given to it in Condition 4.2(c)(A) (ISDA Determination for Floating Rate Covered Bonds) of the Conditions.
"ISIN"	means the securities identifier code being an International Securities Identification Number.
"Issue"	means the issue and purchase of Covered Bonds pursuant to and in accordance with the Dealer Agreement or any other agreement between the Issuer and the relevant Dealer(s) in respect of an Issue Date.
"Issue Date"	means, in relation to any Tranche, the date on which the Covered Bonds of that Tranche have been issued or, if not yet issued, the date agreed for their issue between the Issuer and the Relevant Dealer(s).
"Issuer"	means Korea Housing Finance Corporation, a statutory juridical entity incorporated and existing in Korea under the KHFC Act with its principal office at BIFC 40, Munhyeongeumyung-ro, Nam-gu, Busan 48400, Korea.
"Issuer Default Notice"	has the meaning given to it in **Condition 9.1** (**Issuer Events of Default**) of the Conditions.
"Issuer Event of Default"	means an event described in **Condition 9.1** (**Issuer Events of Default**) of the Conditions.
"Issuing and Paying Agent"	means Citibank, N.A., London Branch, of 14th Floor, Citigroup Centre, 25 Canada Square, Canary Wharf, London E14 5LB, United Kingdom, or any Affiliate thereof appointed as the issuing and paying agent pursuant to the Agency Agreement which expression shall, wherever the context so admits, include any successor Issuing and Paying Agent appointed from time to time pursuant to the Agency Agreement.
"KB Index"	means the KB Housing Purchase Price Index as published by KB Kookmin Bank.
"KB Market Prices"	means the market prices of properties in Korea as published by KB Kookmin Bank.

"KHFC Act" means the Korea Housing Finance Corporation Act (Act No. 7030, 31 December 2003) as amended from time to time and rules, regulations and decrees promulgated thereunder, a Korean law governing the establishment and operation of the Issuer.

"KHFC Serviced Mortgage Loan Collection Accounts" has the meaning given to it in **Clause 11.3(a)(i)(B)** (**Collection of Funds into the Collection Account**) of the Programme Deed.

"KHFC Serviced Mortgage Loans" means Mortgage Loans which are serviced by the Issuer.

"Korea" means the Republic of Korea and "**Korean**" shall be construed accordingly.

"Lead Manager" means, in relation to a Syndicated Issue, the Relevant Dealer specified as such in the relevant Subscription Agreement.

"Liquid Assets" means any of the following assets (other than any Swap Collateral):

(a) cash;

(b) certificates of deposit with a maturity of no more than 100 days issued by a Financial Company;

(c) bonds issued by any government rated "AAA" to "AA-" by credit rating agencies;

(d) financial instruments issued by any bank or securities company (other than any bank or securities company incorporated in Korea) which is rated "A" by credit rating agencies whose nature and maturity are comparable to those described in (b) above; and

(e) deposits and term deposits at either a Financial Company or foreign financial company (whose nature are comparable to those described in (b) above) with a maturity of three months or less,

in each case, which the Issuer or (following the service of an Issuer Default Notice on the Issuer) the Asset Monitor has determined are readily able to be liquidated within three months.

"Loss"	(a) in respect of the Subscription Agreement, means any liability, damages, cost, loss or expense properly incurred (including, without limitation, legal fees, costs and expenses and any value added tax thereon reasonably incurred in connection with defending or investigating any such action or claim); or (b) in respect of the Agency Agreement, has the meaning given to it in **Clause 20** (**Indemnity**) of the Agency Agreement.
"Margin"	means, in respect of a Series of Covered Bonds, the margin (if any) specified in the relevant Pricing Supplement.
"MAS"	means the Monetary Authority of Singapore.
"Master Definitions Schedule"	means the master definitions schedule as may be amended, modified, varied, novated, supplemented, restated or replaced from time to time.
"Maturity Date"	means the Interest Payment Date on which each Series of Covered Bonds will be redeemed at their nominal amount then outstanding in accordance with the Conditions, without taking into account any extension pursuant to **Condition 6.2** (**Extension of maturity up to Extended Maturity Date**).
"Maturity Extension Event"	means, in respect of any Series of Covered Bonds to which an Extended Maturity Date is specified as applicable in the Pricing Supplement, the Issuer fails to redeem all of those Covered Bonds in full on the Maturity Date of such Covered Bonds or within 10 calendar days thereafter.
"Maximum Rate of Interest"	means, in respect of a Series of Covered Bonds, the maximum Rate of Interest (if any) specified in the relevant Pricing Supplement.
"Minimum Rate of Interest"	means, in respect of a Series of Covered Bonds, the minimum Rate of Interest (if any) specified in the relevant Pricing Supplement.
"Modified Following Business Day Convention"	has the meaning given to it in **Condition 4.2(b)** (**Business Day Convention**) of the Conditions.
"Moody's"	means Moody's Investors Service

"Moody's Liquid Asset Required Rating" means, in respect of Liquid Assets other than cash, that such Liquid Assets have:

(a) in respect of Liquid Assets falling within **paragraphs (b)** and **(e)** of the definition of Liquid Assets, a long-term deposit rating or, as the case may be, a long-term issuer rating in respect of a Financial Company or foreign financial company of at least "A3" by Moody's;

(b) in respect of Liquid Assets falling within **paragraph (c)** of the definition of Liquid Assets, a long-term issuer or senior unsecured rating of at least "A3" by Moody's; or

(c) in respect of Liquid Assets falling within **paragraph (d)** of the definition of Liquid Assets, a deposit rating, or as the case may be, a debt rating of at least "A3" by Moody's,

or, in each case, such other rating or ratings as published by Moody's in its most recent rating criteria from time to time to maintain the then current ratings of the Covered Bonds by Moody's *provided that* a prior written confirmation is obtained from Moody's in respect of the applicability of such other rating or ratings to the Liquid Assets in the context of the ratings by Moody's of the Covered Bonds.

"Mortgaged Property" means the real property located in Korea and constituting security for the Mortgage Loans.

"Mortgage Loan Agreement" means in respect of each Mortgage Loan, the mortgage loan agreement entered into by the applicable Participating Bank and Obligor.

"Mortgage Loan Collection" has the meaning given to it in **Clause 11.3(a)(ii)** (**Collection of Funds into the Collection Account**) of the Programme Deed.

"Mortgage Loans" means any residential mortgage loan originated by a Participating Bank and purchased from it by the Issuer, which is secured upon a residential real estate asset which is situated in Korea.

"N Bonds" means Covered Bonds in the form of *Namensschuldverschreibungen* and governed by German law, save that the provisions of **Condition 3** (**Status of the Covered Bonds**) shall be governed by Korean law;

"Negative Carry Factor" means:

(a) if (A) the long-term senior unsecured foreign currency rating of the Issuer is "A" or above by S&P; and (B) the long-term senior unsecured foreign currency rating of the Issuer is "A3" or above by Moody's, zero; and

(b) if (A) the long-term senior unsecured foreign currency rating of the Issuer falls below "A" by S&P; or (B) the long-term senior unsecured foreign currency rating of the Issuer falls below "A3" by Moody's, 1.00% x T.

"NetRoadshow" means NetRoadshow, Inc.

"Notice to Pay" has the meaning given to it in **Condition 9.3** (**Notice to Pay**) of the Conditions.

"Novated Swap Agreement" means a swap agreement dated on or about the relevant Issue Date between the Swap Delegate and each of the Swap Providers individually which will replace the relevant Swap Agreement following the occurrence of a Swap Novation Event as a result of the operation of the relevant Novation Agreement.

"Novation Agreement" means the a novation agreement dated on or about the relevant Issue Date between the Issuer, the Swap Delegate and each of the Swap Providers individually, under and pursuant to which, among other things, upon the occurrence of a Swap Novation Event, the rights, liabilities and obligations of the Issuer under and in respect of the relevant swap transaction governed by the relevant Swap Agreement will be transferred by novation to the Swap Delegate and the relevant Novated Swap Agreement will become effective and shall replace the relevant Swap Agreement.

"Obligors" means, in relation to a Mortgage Loan, the person or persons responsible for making payments of all amounts owing in respect thereof, including the Borrower and any guarantors thereof.

"Offering Circular" means the offering circular dated the Programme Date relating to the Covered Bonds (which term shall include those documents incorporated by reference into it in accordance with its terms and save as provided therein) as from time to time amended, supplemented or replaced and, in relation to

each Tranche, the applicable Pricing Supplement except that for the purpose of **Clause 6.1.1** of the Dealer Agreement in respect of the Trade Date, the Signing Date (in the case of a Syndicated Issue) and the Issue Date, "Offering Circular" means the Offering Circular as at the Trade Date but not including any subsequent revision, supplement or amendment thereto save for any addition to the information included therein by virtue of the applicable Pricing Supplement only by reference to the issue details of the relevant Tranche.

"Official List" means the official list of securities on the Singapore Exchange Securities Trading Limited.

"Optional Redemption Amount" means, if applicable, the optional redemption amount determined in accordance with the relevant Pricing Supplement.

"Outstanding" means, in relation to the Covered Bonds, all the Covered Bonds issued other than:

(a) those Covered Bonds which have been redeemed pursuant to the Bond Trust Deed;

(b) those Covered Bonds in respect of which the date (including, where applicable, any deferred date) for redemption in accordance with the Conditions has occurred and the redemption moneys (including all interest payable thereon) have been duly paid to the Bond Trustee or to the Issuing and Paying Agent in the manner provided in the Agency Agreement (and where appropriate notice to that effect has been given to the relevant Covered Bondholders in accordance with **Condition 13** (**Notices**)) and such moneys remain available for payment of the relevant Covered Bonds;

(c) those Covered Bonds which have been purchased and cancelled in accordance with **Condition 6.7** (**Purchases**) and **Condition 6.9** (**Cancellation**);

(d) those Covered Bonds which have become void or in respect of which claims have become prescribed, in each case under **Condition 8 (Prescription)**;

(e) those mutilated or defaced Covered Bonds which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to **Condition 10 (Replacement of Covered Bonds)**;

(f) (for the purpose only of ascertaining the Principal Amount Outstanding of the Covered Bonds outstanding and without prejudice to the status for any other purpose of the relevant Covered Bonds) those Covered Bonds which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to **Condition 10 (Replacement of Covered Bonds)**; and

(g) any Global Covered Bond to the extent that it shall have been exchanged for Definitive Covered Bonds or another Global Covered Bond pursuant to its provisions, the provisions of the Bond Trust Deed and the Agency Agreement;

provided that for each of the following purposes, namely:

(i) the right to attend and vote at any meeting of the holders of the relevant Covered Bonds;

(ii) the determination of how many and which Covered Bonds are for the time being outstanding for the purposes of application of cash-flow in accordance with the Programme Deed, the occurrence of or declaration of an Issuer Event of Default and the exercise of rights in relation to the calling of meetings or the other voting rights in respect of the Covered Bonds;

(iii) any discretion, power or authority (whether contained in the Bond Trust Deed or vested by operation of law) which the Bond Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the holders of the Covered Bonds; and

(iv) the determination by the Bond Trustee whether any event, circumstance, matter or thing is, in its opinion, materially prejudicial to the interests of the holders of the Covered Bonds,

those Covered Bonds (if any) which are for the time being held by or on behalf of the Issuer, as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding.

"Participating Banks" means:

(a) Standard Chartered Bank Korea Limited;

(b) Shinhan Bank;

(c) Woori Bank;

(d) KB Kookmin Bank;

(e) KEB Hana Bank; and

(f) Industrial Bank of Korea.

As at the Programme Date, the Mortgage Loans originated by any of the Participating Banks may be included in the Cover Pool.

"Paying Agent/Transfer Agent/ Registrar Fee Letter" means the fee letter entered into on or before the Programme Date by the Issuer and the Paying Agent/Transfer Agent/ Registrar in respect of the remuneration to be paid to the Paying Agent/Transfer Agent/Registrar in respect of its appointment pursuant to the Agency Agreement.

"Paying Agents" means the Issuing and Paying Agent and the CMU Lodging and Paying Agent together with any other paying agents appointed pursuant to the Agency Agreement which expression shall, wherever the context so admits, include any successor Paying Agent appointed from time to time pursuant to the Agency Agreement.

"Payment" has the meaning as contemplated in **Clause 6** (**Payments)** of the Agency Agreement.

"Payment Day" has the meaning given to it in **Condition 5.9** (**Payment Day**) of the Conditions.

"Payment Shortfall" has the meaning given to it in **Clause 12.2(b)** (**Cash Application following an Issuer Event of Default**) of the Programme Deed.

"Permanent Dealers" means BNP PARIBAS and all Dealers other than those appointed as such solely in respect of one or more specified Tranches.

"Permanent Global Covered Bond" means a Global Covered Bond representing Bearer Covered Bonds of one or more Tranches of the same Series, either on issue or upon exchange of a Temporary Global Covered Bond, or part of it, and which shall be substantially in the form set out in **Schedule 2 Part 2** (**Form of Permanent Global Covered Bond**) to the Bond Trust Deed.

"Personal Information Protection Act"	means the Personal Information Protection Act of Korea (Act No. 10465, 29 March 2011) as amended from time to time, and the rules, regulations and decrees promulgated thereunder.
"PMT Account Bank"	means a bank licenced in Korea with the Approved Rating or any of its Affiliates or any successor or substitute bank acting as account bank of the PMT Cash Account.
"PMT Cash Account"	means the account designated as such in the name of the PMT Trustee held with the PMT Account Bank, as applicable, into which Pre-Maturity Liquidity Assets in the form of cash may be deposited in accordance with the terms of the Programme Deed.
"PMT Ongoing Test Series"	means each Series of Hard Bullet Covered Bonds in respect of which either (i) the Issuer has taken the action required pursuant to **Clause 10.4** of the Programme Deed or (ii) the proviso to **Clause 10.8** of the Programme Deed applies (so that no Issuer Event of Default has occurred pursuant to **Clause 10.8** of the Programme Deed in respect of each such Series).
"PMT Securities Account"	means the account designated as such in the name of the PMT Trustee held with the Securities Depositary or Euroclear, or such other custodian or securities depositary from time to time, as applicable, into which Pre-Maturity Liquidity Assets other than cash may be deposited in accordance with the terms of the Programme Deed.
"PMT Shortfall Amount"	means, in respect of all PMT Ongoing Test Series and a PMT Shortfall Valuation Date, the amount by which the portion of the Won Equivalent of the Required Redemption Amount which relates to PMT Ongoing Test Series exceeds the Pre-Maturity Liquidity Assets Value in respect of such PMT Shortfall Valuation Date.
"PMT Shortfall Valuation Date"	means, in respect of all PMT Ongoing Test Series, the Friday of each week, *provided that* if such day is not a Seoul Business Day, such PMT Shortfall Valuation Date shall be the next following Seoul Business Day.
"PMT Trust Agreement"	means each trust agreement and the schedules thereto governed by Korean law and dated on or about the first Entrustment Date between the Issuer, the PMT Trustee and the Bond Trustee under and pursuant to which Issuer entrusts Pre-Maturity Liquidity Assets to the PMT Trustee for the benefit of the Bond Trustee.

"PMT Trustee"	means a bank licenced in Korea with the Approved Rating or any of its Affiliates or any successor or substitute bank in its capacity as trustee of the Pre-Maturity Liquidity Assets appointed pursuant to one or more PMT Trust Agreements.
"Pool Report"	means the monthly report made available to the Covered Bondholders, the Bond Trustee, the Rating Agencies and the Swap Providers prepared in accordance with the most current version of the Harmonised Transparency Template published by the Covered Bond Label Foundation as of the date of preparation and detailing, *inter alia*, the results of the Asset Coverage Test that was performed on the Calculation Date immediately preceding the publication of that Pool Report and which are posted on the Issuer's website at https://kmbs.hf.go.kr/biz/home/home.do or (following an Issuer Event of Default) such other website or other source as may be specified by the Asset Monitor and/or the Back-up Servicer.
"Post Default Priority of Payments"	has the meaning given to it in **Clause 12.7** (**Tax Gross-up from the Collection Account Payments**) of the Programme Deed.
"PRC"	means the People's Republic of China.
"Preceding Business Day Convention"	has the meaning given to it in **Condition 4.2(b)** (**Business Day Convention**) of the Conditions.
"Pre-Maturity Liquidity Assets"	means Eligible Liquid Assets deposited by the Issuer into the PMT Cash Account, the PMT Securities Account, and/or the Pre-Maturity Liquidity Ledger of the Reserve Cash Account and/or of the Reserve Securities Account (as applicable), *provided that* for so long as the Programme is rated by the Rating Agencies, any such asset shall have a remaining maturity less than or equal to the shortest remaining maturity of a Series of Hard Bullet Covered Bonds maturing during the Pre-Maturity Test Period.
"Pre-Maturity Liquidity Assets Value"	means, in respect of any day, the aggregate value of the Pre-Maturity Liquidity Assets as of such day in Won and if applicable, multiplied by the valuation percentage applicable to each such Pre-Maturity Liquidity Assets being the percentage figures that are necessary to ensure that the Covered Bonds maintain the then current ratings assigned to them by S&P and Moody's, *provided that* the applicable valuation percentage shall in no circumstances be greater than 100%

"Pre-Maturity Liquidity Ledger"	means either (i) the ledger in the Reserve Cash Account of such name maintained by the Issuer pursuant to the Bank Account Mandate to record the credits and debits of Pre-Maturity Liquidity Assets which are in the form of cash or (ii) the ledger in the Reserve Securities Account, if any, of such name maintained by the Issuer with the Securities Depositary or Euroclear to record the credits and debits of Pre-Maturity Liquidity Assets which are other than in the form of cash, in each case are available to repay any Series of Hard Bullet Covered Bonds on the Maturity Date thereof if the Pre-Maturity Test has been breached.
"Pre-Maturity Test"	has the meaning given to it in **Clause 10.3** of the Programme Deed.
"Pre-Maturity Test Cure Requirement"	has the meaning given to it in **Clause 10.4** of the Programme Deed.
"Pre-Maturity Test Date"	has the meaning given to it in **Clause 10.2** of the Programme Deed.
"Pre-Maturity Test Period"	has the meaning given to it in **Clause 10.2** of the Programme Deed.
"Pricing Supplement"	means, in relation to a Tranche, the pricing supplement issued specifying the relevant issue details of such Tranche, substantially in the form of **Schedule D** (**Form of Pricing Supplement**) to the Dealer Agreement.
"Principal Accumulation Account"	means the account to be opened in the name of the Issuer at Citibank Korea Inc. or one of its Affiliates in accordance with **Clause 11.25** (**Accumulation Accounts**) of the Programme Deed.
"Principal Amount Outstanding"	has the meaning given to it in **Condition 4.4** (**Accrual of Interest**) of the Conditions.
"Principal Collection"	has the meaning given to it in **Clause 11.3(b)(ii)** (**Collection of Funds into the Collection Account**) of the Programme Deed; *provided that* such term shall be construed to include the proceeds of any Eligible Investments made using Principal Collections as calculated in **Clause 11.3(d)(ii)** (**Collection of Funds into the Collection Account**) of the Programme Deed.
"Principal Ledger"	means the ledger which the Issuer will maintain in respect of Principal Collections, referred to in **Clause 11.3** (**Collection of Funds into the Collection Account**) of the Programme Deed.

"Priority of Payments"	means the payment obligations set out in **Clause 12.1** (**Cash Application prior to an Issuer Event of Default**) of the Programme Deed and the Post Default Priority of Payments.
"Procedures Memorandum"	means administrative procedures and guidelines relating to the settlement of issues of Covered Bonds (other than Syndicated Issues) as shall be agreed upon from time to time by the Issuer, the Trustee, the Permanent Dealers and the Issuing and Paying Agent and which, at the Programme Date, are set out in **Schedule B** (**Procedures Memorandum**) to the Dealer Agreement.
"Proceedings"	means any proceedings, suit or action arising out of or in connection with any Disputes or otherwise arising out of or in connection with a Transaction Document (including regarding its existence, validity or termination).
"Programme"	means the covered bond programme established by, or otherwise contemplated in, the Dealer Agreement and the Bond Trust Deed.
"Programme Date"	means the date of the Bond Trust Deed.
"Programme Deed"	means the programme deed and the schedules thereto dated 28 June 2022 between the Issuer, the Swap Delegate, the Asset Monitor and the Bond Trustee, among others, under and pursuant to which each of the Swap Delegate and the Asset Monitor is appointed and undertakes its respective functions.
"QIB"	means "qualified institutional buyers", as that term is defined under Rule 144A of the Securities Act.
"QP"	means a "qualified purchaser", as defined in Section 2(a)(51)(A) of the US Investment Company Act of 1940.
"Rate of Interest"	means the rate of interest payable from time to time in respect of a Series of Covered Bonds and that is either specified or calculated in accordance with the provisions in the relevant Pricing Supplement.
"Rating Agencies"	means S&P and Moody's, in each case, for so long as it continues to provide a rating in respect of Covered Bonds and each a "**Rating Agency**".

"Rating Downgrade Event"	has the meaning given to it in **Clause 6.3** (**Verification Events**) of the Programme Deed.
"Redemption Amount"	means the Final Redemption Amount or Optional Redemption Amount, as the case may be, as determined pursuant to the Conditions.
"Re-Direction Notice"	means a notice in writing, in the form set out in **Schedule 2** (**Form of Re-Direction Notice**) to the Back-Up Servicing Agreement requiring the Obligors of KHFC Serviced Mortgage Loans to make payments directly into the Collection Account.
"Register"	means the register of holders of the Covered Bonds maintained by the Registrar.
"Registered Covered Bond"	means a Covered Bond in registered form.
"Registrar"	means Citicorp International Limited, a company incorporated in Hong Kong with its registered office at 9th Floor, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, or any Affiliate thereof appointed as the bond registrar pursuant to the Agency Agreement which expression shall, wherever the context so admits, include any successor Registrar appointed from time to time pursuant to the Agency Agreement.
"Regulation S"	means Regulation S under the United States Securities Act of 1933, as amended.
"Regulation S Covered Bond"	means the Covered Bonds to be sold to non-US persons in offshore transactions in reliance on Regulation S.
"Regulation S Global Certificate"	means a Global Certificate substantially in the form set out in **Schedule 2 Part 3** (**Form of Global Certificate**) to the Bond Trust Deed representing Registered Covered Bonds of one or more Tranches of the same Series that are offered and sold in an "offshore transaction" within the meaning of Regulation S and are registered in the name of a nominee of, and deposited in the name of a Common Depositary for, Euroclear, Clearstream, Luxembourg and/or any other clearing system.
"Regulation S Transfer Restrictions"	means the transfer restrictions set out in **Schedule K (Regulation S Transfer Restrictions)** to the Dealer Agreement.
"Relevant Date"	has the meaning given to it in **Condition 7 (Taxation)** of the Conditions.

"Relevant Dealer(s)" means, in relation to any Tranche, the Dealer or Dealers with or through whom an agreement to issue Covered Bonds has been concluded, or is being negotiated, by the Issuer.

"Representations and Warranties" means the representations and warranties made by the Issuer in respect of the Mortgage Loans to be included in the Cover Pool as set out in **Part B** of **Schedule 1** of the Programme Deed.

"Required Redemption Amount" means, in respect of the Pre-Maturity Test, the aggregate Principal Amount Outstanding of all Series of Hard Bullet Covered Bonds which are scheduled to mature within 12 months of the relevant Pre-Maturity Test Date.

"Reserve Account Bank" means KEB Hana Bank or any of its Affiliates or any successor or substitute bank acting as account bank of the Reserve Cash Account in connection with the Cover Pool and appointed under the Reserve Account Mandate.

"Reserve Account General Balance" means, in and only in the event that (i) S&P's long-term senior unsecured foreign currency credit rating of the Issuer falls below "A" or is withdrawn and/or (ii) Moody's long-term senior unsecured foreign currency credit rating of the Issuer falls below "A2" or is withdrawn, an amount equal to the Won Equivalent of the sum of:

(a) the annual aggregate amounts due to the Asset Monitor, the Bond Trustee, Paying Agent/ Transfer Agent/Registrar, Account Banks and Back-Up Servicer (if applicable);

(b) the amount due to the Servicer in the immediate following three (3) months; and

(c) the annual aggregate amounts due for the asset monitoring report, Cover Pool Audit and other fees.

"Reserve Account Mandate" as referred to in **Clause 11.8** (**Reserve Account Mandate**) of the Programme Deed shall as at the Programme Date mean the Bank Account Mandate.

"Reserve Account Specific Balance" means, in and only in the event that (i) S&P's long-term senior unsecured foreign currency credit rating of the Issuer falls below "A" or is withdrawn and/or (ii) Moody's long-term senior unsecured foreign currency credit rating of the Issuer falls below "A2" or is withdrawn, the aggregate of (a) at any

	time an amount equal to Won 6,250 multiplied by the number of KHFC Serviced Mortgage Loans included in the Cover Pool at that time and (b) an amount of Won 400,000,000**.**
"Reserve Account Target Balance"	means the Won sum of the Reserve Account General Balance and the Reserve Account Specific Balance.
"Reserve Cash Account"	means the account designated as such in the name of the Issuer held with a Reserve Account Bank or such other bank from time to time, as applicable, into which the Reserve Account Target Balance, Pre-Maturity Liquidity Assets in the form of cash and Liquid Assets in the form of cash may be deposited in accordance with the terms of the Programme Deed.
"Reserve Ledger"	means the ledger in the Reserve Cash Account of such name maintained by the Issuer pursuant to the Bank Account Mandate, to record the crediting and the debiting of the Reserve Account Target Balance in accordance with the terms of the Programme Deed.
"Reserve Securities Account"	means the account designated as such in the name of the Issuer held with the Securities Depositary or Euroclear, or such other custodian or securities depositary from time to time, as applicable, into which Liquid Assets or Pre-Maturity Liquidity Assets other than cash may be deposited in accordance with the terms of the Programme Deed.
"Rule 144A"	means Rule 144A under the United States Securities Act of 1933, as amended.
"Rule 144A Covered Bond"	means the Covered Bonds to be sold in the United States to QIBs and QPs.
"Rule 144A Global Certificate"	means a Global Certificate substantially in the form set out in **Schedule 2 Part 3** (**Form of Global Certificate**) to the Bond Trust Deed representing Registered Covered Bonds of one or more Tranches of the same Series that are offered and sold within the United States only to QIBs and QPs in reliance on Rule 144A and that are deposited with a Custodian and registered in the name of a nominee for DTC.
"Rule 144A Transfer Restrictions"	means the transfer restrictions set out in **Schedule J** (**Rule 144A Transfer Restrictions**) to the Dealer Agreement.
"Securities Act"	means the United States Securities Act of 1933, as amended.
"Securities Depositary"	means the Korea Securities Depositary.

"Securitisation Plan"	means the securitisation plan in respect of each issuance of Covered Bonds to be registered with the FSC pursuant to Article 23 of the KHFC Act.
"Security Interest"	means any mortgage, sub-mortgage, charge, sub-charge, assignment by way of security, pledge, lien, right of set-off or encumbrance, or security interest, guarantee or similar credit or any arrangement under any law which has an equivalent effect, whatsoever, howsoever created or arising or other right or claim in, of or on any person's assets or properties in favour of any other person including any instrument filed against such persons, assets or properties.
"Seoul Business Day"	means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for general business (including dealings in foreign exchange and foreign currency deposits) and can settle payments in Seoul, Korea.
"Series"	means a series of Covered Bonds comprising one of more Tranches, whether or not issued on the same date, that (except for the first payment of interest and their issue price) have identical terms on issue and are expressed to have the same series number.
"Series Required Redemption Amount"	means, in respect of the Pre-Maturity Test and a Series of Hard Bullet Covered Bonds which are scheduled to mature during the relevant Pre-Maturity Test Period, the aggregate Principal Amount Outstanding of such Series.
"Series Reserved Matter"	has the meaning given to it in **paragraph 21** of **Schedule 4** (**Provisions for Meetings of Covered Bondholders**) to the Bond Trust Deed.
"Servicers"	means, in relation to a Mortgage Loan originated by a Participating Bank, the Participating Bank or any third party that has been appointed by the Issuer to undertake the servicing in respect of such Mortgage Loan in accordance with **Clause 8.3** (**Delegation of Servicing**) of the Programme Deed.
"SFA"	means the Securities and Futures Act 2001 of Singapore.
"SGX-ST"	means the Official List of the Singapore Exchange Securities Trading Limited.
"Shortfall"	has the meaning given to it in **Clause 6.8** (**Payments**) of the Agency Agreement.

"Signing Date"	means, in the case of a Syndicated Issue, the execution date of the relevant Subscription Agreement.
"Similar Law"	has the meaning given to it in **Schedule J** (**Rule 144A Transfer Restrictions**) to the Dealer Agreement.
"Singapore"	means the Republic of Singapore.
"Solvency Certificate"	means a certificate confirming the absence of the occurrence or existence of any Insolvency Event in relation to the Issuer and provided by the Issuer in accordance with **Clause 9.2** (**Addition of Mortgage Loans**) of the Programme Deed to the Asset Monitor in a form acceptable to the Asset Monitor.
"Specified Currency"	means, subject to any applicable legal or regulatory restrictions, Korean Won, Euros, U.S. dollars and such other currency or currencies as may be agreed from time to time by the Issuer, the relevant Dealer(s), the Issuing and Paying Agent and the Bond Trustee and specified in the applicable Pricing Supplement.
"Spot Exchange Rate"	means the best foreign currency rate of exchange available on the open market based on two or more quotes from internationally recognised financial institutions obtained by the Asset Monitor on the day of such foreign currency exchange for the purposes of **Clause 12.2** (**Cash Application following an Issuer Event of Default**) of the Programme Deed and **Clause 12.3** (**Cash Application following a Covered Bond Event of Default**) of the Programme Deed.
"Stabilising Manager"	means, in relation to any Tranche of Covered Bonds, the Dealer specified as the stabilising manager in the applicable Pricing Supplement.
"Stock Exchange"	means any stock exchange or market on which any of the Covered Bonds are listed and/or admitted to trading on or by a competent listing authority.
"Subscription Agreement"	means the subscription agreement between the Issuer and two or more Relevant Dealers made pursuant to **Clause 2.2** (**Syndicated Issues**) of the Dealer Agreement, under and pursuant to which the Relevant Dealers agreed to purchase the Covered Bonds.
"Substitute Account Bank"	means Citibank Korea Inc. or one of its Affiliates which satisfies the requirements of Clause 11.33 (Substitute Account Bank) of the Programme Deed or if Citibank Korea Inc. or its

	suitable Affiliate does not satisfy such requirements such other bank which does and which is appointed in accordance with **Clause 11.33** (**Substitute Account Bank**) of the Programme Deed.
"Substitute Asset Monitor"	means the substitute asset monitor appointed in accordance with **Clause 26.3** (**Substitute Asset Monitor**) of the Programme Deed.
"Substitute Back-Up Servicer"	has the meaning given to it in **Clause 6.3** (**Substitute Back-Up Servicer**) of the Back-Up Servicing Agreement.
"Substitute Swap Provider"	has the meaning given to it in **Clause 14.2(b)** (**Replacement of the Swap Providers**) of the Programme Deed.
"Supplemental Offering Materials"	means (a) any "written communications" (within the meaning of the Securities Act and the rules and regulations of the United States Securities and Exchange Commission (the "**Commission**") thereunder) identified in **Annex A** (**Supplemental Offering Materials**) to the Subscription Agreement for a Regulation S transaction or in **Annex B** (**Supplemental Offering Materials**) to the Subscription Agreement for a Rule 144A or combined Regulation S/Rule 144A transaction; and (b) any road show presentation, including any Bloomberg or NetRoadshow presentation, used in connection with the offering or sale of the Covered Bonds that constitutes such written communications.
"Swap"	means any swap transaction governed by any Swap Agreement.
"Swap Agreement"	means each swap agreement entered into between the Issuer and a Swap Provider governing a Swap entered into with such Swap Provider, in the form of ISDA 2002 Master Agreements together with, in each case, a schedule and confirmation and each relating to a cross-currency swap transaction. For the avoidance of doubt, unless the context otherwise requires, the term "**Swap Agreement**" shall be construed to include the relevant Novated Swap Agreement.
"Swap Collateral"	means, at any time, any asset (including, without limitation, cash and/or securities) which is paid or transferred by a Swap Provider into the Collateral Accounts as collateral to secure the performance by such Swap Provider of its obligations under the relevant Swap Agreement together with any income or distributions received in respect of such asset and any equivalent of such asset into which such asset is transformed.

"Swap Delegate"	means the Issuer in its capacity as swap delegate appointed by the Bond Trustee pursuant to the Programme Deed.
"Swap Excess Hedging Termination Amounts"	means, in respect of a swap transaction, any payments due from the Issuer under a Swap Agreement to the relevant Swap Provider in connection with an early termination of a portion of the swap transaction confirmed under that Swap Agreement as a result of an Excess Hedging Event (as defined in the applicable Swap Agreement) under that Swap Agreement.
"Swap Expenses"	means any amount payable from time to time by the Issuer or the Swap Delegate, as the case may be, under and pursuant to the Swap Agreements or the Novated Swap Agreements, as the case may be, including, without limitation, any or indemnification costs owed to the Swap Providers from time to time, *provided that* Extension Charges Balance, Cover Pool Shortfall Amounts and Swap Excess Hedging Termination Amounts shall not be regarded as Swap Expenses.
"Swap Novation Date"	means the date on which a Swap Novation Event occurs.
"Swap Novation Event"	means the delivery of an Issuer Default Notice by the Bond Trustee to the Issuer in accordance with the Conditions.
"Swap Providers"	means each provider (or any successors, assignees and replacements) of a Swap under a Swap Agreement and any Substitute Swap Provider appointed in accordance with the Programme Deed.
"Swap Receipts"	means all payments paid to the Issuer by any Swap Provider under the Swap Agreements or to the Swap Delegate (or the Asset Monitor acting as attorney on behalf of the Swap Delegate) by any Swap Provider under the Novated Swap Agreements.
"Swap Subordinated Amounts"	means any payments due from the Issuer under a Swap Agreement or the Swap Delegate under a Novated Swap Agreement (as the case may be) to the relevant Swap Provider following an early termination of the Swap Agreement or the Novated Swap Agreement as a result of an event of default or a Termination Event (as defined in the applicable Swap Agreement or Novated Swap Agreement) (other than as a result of Illegality, Force Majeure Event or Tax Event, each as defined in the applicable Swap Agreement or Novated Swap Agreement) under such Swap Agreement or Novated Swap Agreement in

respect of which the Swap Provider is the Defaulting Party (as defined in the applicable Swap Agreement or Novated Swap Agreement) or the sole Affected Party (as defined in the applicable Swap Agreement or Novated Swap Agreement).

"Syndicated Issue" means an issue of Covered Bonds pursuant to **Clause 2.2** (**Syndicated Issues**) of the Dealer Agreement.

"S&P" means S&P Global Ratings, a division of S&P Global, Inc. (and includes any successor to its rating business).

"S&P Liquid Asset Required Rating" means, for so long as the Programme is rated by S&P, that:

(a) in respect of assets that mature in not more than 365 days, a short-term foreign currency issuer credit rating of at least "A-1+" or a long-term foreign currency issuer credit rating of "AA-" or higher by S&P; or

(b) in respect of assets that mature in greater than 365 days, a long-term foreign currency issuer credit rating that is equivalent to the then current ratings of the Covered Bonds by S&P,

or, in each case, such other rating or ratings as published by S&P in its most recent rating criteria from time to time to maintain the then current ratings of the Covered Bonds by S&P.

"T" means the weighted average remaining maturity of the Covered Bonds in years (rounded to the nearest hundredths of one year).

"Talons" mean talons for further Coupons or, as the context may require, a specific number of them and includes any replacement Talons issued pursuant to the Conditions.

"Tax Jurisdiction" has the meaning given to it in **Condition 7 (Taxation)** of the Conditions of the Covered Bonds.

"Taxes" means any tax, levy, impost, duty or other charge, deduction, withholding or related liability of a similar nature (including any penalty or interest payable in connection with any failure to pay or delay in paying any of the same).

"Temporary Global Covered Bond" means a Global Covered Bond representing Bearer Covered Bonds of one or more Tranches of the same Series on issue and which shall be substantially in the form set out in **Schedule 2 Part 1** (**Form of Temporary Global Covered Bond**) to the Bond Trust Deed.

"Term Sheet" means the term sheet in the form of the term sheet set out in **Annex A** (**Form of Pricing Term Sheet**) to the Subscription Agreement for a Rule 144A or combined Regulation S/Rule 144A transaction.

"Testing Date" has the meaning given to it in **Clause 6.2** (**Pre-Verification Event**) of the Programme Deed.

"Trade Date" means each date on which the Issuer concludes an agreement with one or more Relevant Dealers for the issue and sale of Covered Bonds pursuant to **Clause 2** (**Offers and Sales of Covered Bonds**) of the Dealer Agreement which, in the case of a Syndicated Issue, shall be the date on which the relevant Subscription Agreement is signed by or on behalf of the Relevant Dealers and the Issuer.

"Tranche(s)" means, in relation to a Series, those Covered Bonds of that Series that are issued on the same date at the same issue price and in respect of which the first payment of interest is identical.

"Transaction Documents" means:

(a) the Accumulation Account Mandates;

(b) the Agency Agreement (which for the avoidance of doubt includes the CMU Supplemental Agency Agreement);

(c) the Asset Monitor Fee Letter;

(d) the Back-Up Servicing Agreement (if any);

(e) the Back-Up Servicer Fee Letter (if any);

(f) the Bank Account Mandate;

(g) the Bond Trust Deed;

(h) the Bond Trustee Fee Letter;

(i) the Collateral Agreements;

(j) the Collateral Account Custodian Bank Agreements;

(k) the Dealer Agreement;

(l) the Deeds of Charge and Assignment;

(m) the Designated FX Account Mandate;

(n) the Master Definitions Schedule;

(o) the Novation Agreements;

(p) the Novated Swap Agreements;

(q) the Paying Agent/Transfer Agent/Registrar Fee Letter;

(r) the PMT Account Mandate (if any);

(s) each Pricing Supplement (as applicable in the case of each issue of listed Covered Bonds subscribed pursuant to a subscription agreement);

(t) the Programme Deed;

(u) the Swap Agreements;

(v) each Subscription Agreement (as applicable in the case of each issue of listed Covered Bonds subscribed pursuant to a subscription agreement);

(w) each PMT Trust Agreement (if any);

(x) the Covered Bonds including Conditions thereof; and

(y) each document, agreement or deed ancillary or supplemental to any of the documents specified in **paragraphs (a)** to **(x)** (inclusive) above of this definition;

and any other agreement, deed or document as may be designated as such by the Issuer and the Asset Monitor from time to time.

"Transaction Expense" means:

(a) (i) in respect of the Asset Monitor, any amount payable to it as fees, costs, expenses, indemnity payments or similar amounts in accordance with the terms of the Programme Deed;

(ii) in respect of the Back-Up Servicer, any amounts payable to it as fees, costs, expenses, indemnity payments or similar amounts in accordance with the terms of the Back-Up Servicing Agreement;

(iii) in respect of the Agents, any amounts payable to any of them as fees, costs, expenses, indemnity payments or similar amounts in accordance with the terms of the Agency Agreement;

(iv) in respect of the Bond Trustee, any amount payable to it as fees, costs, expenses, indemnity payments or similar amounts in accordance with the terms of the Bond Trust Deed; and

(v) in respect of the Servicers, any amount payable to any of them as fees, costs, expenses, including payments or similar amounts in accordance with the terms of the Approved Servicing Agreements; and

(b) in respect of any other person or entity providing services in respect of the issuance of the Covered Bonds but which is not entitled to receive payment under or pursuant to any of the foregoing Transaction Documents under sub-clause (a) above, the amounts payable to such persons from time to time in accordance with the terms of such other Transaction Documents; *provided that*, Swap Expenses, swap, breakage costs, Extension Charges Balance, Swap Excess Hedging Termination Amounts and Cover Pool Shortfall Amounts shall not be regarded as Transaction Expenses.

"Transaction Parties" means each of the Asset Monitor, (if appointed) the Back-Up Servicer, the Bond Trustee, the Issuer, the Servicers, the Agents and the Swap Providers, as applicable.

"Transfer Agent"	means Citibank, N.A., London Branch or any Affiliate thereof appointed as the transfer agent in connection with the Covered Bonds pursuant to the Agency Agreement which expression shall, wherever the context so admits, include any successor Transfer Agent appointed from time to time pursuant to the Agency Agreement.
"Underwriting Policies"	means the various underwriting policies of the Issuer as set out in **Schedule 2 (Underwriting Policies of the Issuer)** of the Programme Deed, each of which may be amended from time to time in accordance with the Programme Deed.
"Use and Protection of Credit Information Act"	means the Use and Protection of Credit Information Act (Act No. 4866, 5 January 1995), effective on 6 July 1995 and as amended from time to time, and any and all successor legislation thereto.
"U.S.", "U.S.A." and "United States"	means the United States of America.
"US$", "U.S.$", "$", "US Dollars", "U.S. Dollars", "USD" and "U.S. dollars"	means the currency of the United States of America.
"U.S. Person" and "US Person"	means a U.S. Person as defined in Regulation S under the Securities Act and U.S. residents for the purposes of the Investment Company Act.
"Verification Event"	has the meaning given to it in **Clause 6.3** (**Verification Events**) of the Programme Deed.
"~~₩~~", "Won", "(Won)" and "KRW"	means the lawful currency of Korea as at the Programme Date and any official replacement thereof.
"Won Equivalent"	means, in relation to an amount which is denominated in (i) a currency other than Won, the equivalent of such amount in Won ascertained using (x) the Applicable Exchange Rate relating to such Covered Bond if such amount relates to the interest or principal (including the Outstanding Principal Amount) in respect of a Covered Bond; or (y) where the relevant Swap Agreement has terminated, there are no Swap Agreements or the amount is not related to the interest or principal in respect of a Covered Bond, the Spot Exchange Rate, and (ii) Won, the applicable amount in Won. For the avoidance of doubt, if only

one Swap Agreement remains outstanding at any time, the Won Equivalent means in respect of currency conversions undertaken pursuant to that Swap Agreement the amount in the currency of the relevant Series of Covered Bonds converted into Won at the Applicable Exchange Rate and for any other currency conversions, the Spot Exchange Rate.

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Shape the future
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Independent auditor's report

(English translation of a report originally issued in Korean)

The Shareholders and Board of Directors
Korea Housing Finance Corporation

Opinion

We have audited the consolidated financial statements of Korea Housing Finance Corporation and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the two years in the period ended December 31, 2024, and the notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for each of the two years in the period ended December 31, 2024 in accordance with the Rules for Accounting Affairs of Public Corporations and Quasi-governmental Institutions in the Republic of Korea.

Basis for opinion

We conducted our audit in accordance with Korean Standards on Auditing ("KSA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Korea, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements, which describes that the Group has prepared its consolidated financial statements in accordance with the Rules for Accounting Affairs of Public Corporations and Quasi-governmental Institutions. Pursuant to its Article 2-5, the Group applies International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS") where specific accounting treatments are not prescribed by the Rules for Accounting Affairs of Public Corporations and Quasi-governmental Institutions. There are no accounts of which accounting treatment is different compared to KIFRS in order for the Group to be in full compliance with the Rules for Accounting Affairs of Public Corporations and Quasi-governmental Institutions.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Rules for Accounting Affairs of Public Corporations and Quasi-governmental Institutions, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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with confidence

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with KSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with KSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities with the Group to express an opinion of the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst Young Han Young

February 17, 2025

This audit report is effective as of February 17, 2025, the independent auditor's report date. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the date of the independent auditor's report to the time this report is used. Such events and circumstances could significantly affect the accompanying consolidated financial statements and may result in modifications to this report.

Korea Housing Finance Corporation and its subsidiaries

Consolidated financial statements
for each of the two years in the period ended December 31, 2024

"The accompanying consolidated financial statements, including all footnotes and disclosures, have been prepared by, and are the responsibility of, the Group."

Kyung Hwan Kim
Chief Executive Officer
Korea Housing Finance Corporation

Korea Housing Finance Corporation and its subsidiaries
Consolidated statements of financial position
as of December 31, 2024 and 2023

(Korean won)

	Notes	2024	2023
Assets			
Cash and due from banks:	4,5,6		
Cash and due from banks		₩ 10,619,226,227,148	₩ 6,138,729,391,426
		10,619,226,227,148	6,138,729,391,426
Securities:	4,5,7,8		
Securities at fair value through profit or loss		1,107,655,543,584	241,898,645,765
Securities at fair value through other comprehensive income		1,814,241,988,358	1,725,556,395,279
		2,921,897,531,942	1,967,455,041,044
Other financial assets:	4,5,33		
Derivative financial assets	9	1,726,713,289,609	466,861,553,047
Other financial assets	15	541,200,384,435	478,731,058,854
		2,267,913,674,044	945,592,611,901
Loan receivables at amortized costs:	4,5,10,11		
Purchased mortgage-backed loans		14,721,665,403,170	14,111,105,254,225
Premium (discount) on loan receivables		(112,866,077,297)	(111,071,811,131)
Deferred loan origination fees and costs		69,359,333,312	59,168,275,996
(Allowance for doubtful accounts)		(25,054,291,470)	(18,031,609,106)
Purchased student loans		14,950,883,818	22,496,500,031
Discount on loan receivables		(92,190,955)	(195,438,735)
(Allowance for doubtful accounts)		(2,523,238,993)	(3,253,219,321)
Mortgage-backed loans by trusts		160,789,568,882,551	165,554,688,425,635
Premium (discount) on loan receivables		(371,833,322,232)	(405,714,955,321)
Deferred loan origination fees and costs		388,150,976,035	478,921,944,462
(Allowance for doubtful accounts)		(188,152,549,092)	(136,646,614,783)
		175,283,173,808,847	179,551,466,751,952
Property and equipment:	12,14		
Lands		23,204,610,588	19,802,165,846
Buildings		125,423,608,961	117,127,512,503
(Accumulated depreciation)		(22,654,966,427)	(19,623,077,446)
Vehicles		234,874,400	234,874,400
(Accumulated depreciation)		(234,863,400)	(234,863,400)
Office equipment		123,579,329,906	120,866,317,089
(Accumulated depreciation)		(90,026,098,499)	(84,927,420,904)
Right-of-use assets	14	34,166,968,779	31,511,127,665
(Accumulated depreciation)		(14,707,530,128)	(11,952,620,341)
Other property and equipment		39,988,678,823	37,975,778,116
(Accumulated depreciation)		(28,061,978,122)	(23,223,357,683)
Construction-in-progress		1,068,438,345	-
		191,981,073,226	187,556,435,845
Intangible assets:	13		
Software		71,428,164,766	67,152,082,291
(Accumulated amortization)		(51,557,234,201)	(40,233,023,020)
Copyrights, patents and other industrial property rights		25,875,736	25,875,736
(Accumulated amortization)		(25,864,736)	(25,864,736)
Membership		897,829,540	897,829,540
		20,768,771,105	27,816,899,811
Other assets:			
Advanced payments		3,363,636	18,816,200
Prepaid expenses		13,502,307,051	16,609,837,856
Other assets		36,500,000	36,500,000
		13,542,170,687	16,665,154,056
Deferred tax assets	30	42,487,105,549	91,174,102,708
Current tax assets		52,472,450	-
Total assets		**₩ 191,361,042,834,998**	**₩ 188,926,456,388,743**

(continued)

Korea Housing Finance Corporation and its subsidiaries
Consolidated statements of financial position
as of December 31, 2024 and 2023 (cont'd)

(Korean won)

	Notes	2024	2023
Liabilities			
Debts:	4,5,16		
Borrowings		-	200,000,000,000
Public bonds issued		22,609,914,230,000	16,270,920,000,000
(Discount on public bonds)		(22,075,270,852)	(18,167,779,498)
		22,587,838,959,148	16,452,752,220,502
Securitized liabilities:	4,5,17		
Mortgage-backed bonds		13,738,711,800,000	11,060,988,900,000
(Discount on bonds)		(13,474,302,416)	(13,321,953,612)
Securitized securities		149,185,324,000,000	155,592,998,000,000
(Discount on securities)		(65,354,046,204)	(67,204,470,856)
		162,845,207,451,380	166,573,460,475,532
Other financial liabilities:	4,5		
Derivative financial liabilities	9	147,274,305,191	425,053,173,174
Other payables		45,348,182,725	50,673,676,007
Other financial liabilities	19,20	829,862,851,192	730,478,133,665
		1,022,485,339,108	1,206,204,982,846
Provisions:	21		
Provisions for employee benefits		1,373,696,284	1,361,948,162
Provisions for conversion incentives		31,706,219,902	27,664,990,208
Provisions for restoration costs		3,626,243,136	3,002,175,984
		36,706,159,322	32,029,114,354
Employee benefit liabilities:	18		
Net defined benefit liabilities		114,138,543,577	97,083,640,075
		114,138,543,577	97,083,640,075
Other liabilities:			
Advances received		16,289,607,816	14,749,393,671
		16,289,607,816	14,749,393,671
Current tax liabilities	30	4,063,655,688	39,320,919,469
Deferred tax liabilities	30	-	-
Total liabilities		**186,626,729,716,039**	**184,415,600,746,449**
Equity			
Paid-in capital	22		
Capital contributions		2,737,400,000,000	2,737,400,000,000
Capital adjustments		(7,227,840,000)	(7,227,840,000)
		2,730,172,160,000	2,730,172,160,000
Retained earnings:	24		
Legal reserves		511,202,401,221	497,811,132,161
Regulatory reserves for credit losses		421,790,292,144	337,687,541,738
Unappropriated retained earnings		1,173,177,922,949	1,042,581,009,086
		2,106,170,616,314	1,878,079,682,985
Other components of equity:	23		
Accumulated other comprehensive loss		(102,029,657,355)	(97,396,200,691)
		(102,029,657,355)	(97,396,200,691)
Total equity		**4,734,313,118,959**	**4,510,855,642,294**
Total liabilities and equity		**₩ 191,361,042,834,998**	**₩ 188,926,456,388,743**

The accompanying notes are an integral part of the consolidated financial statements.

Korea Housing Finance Corporation and its subsidiaries
Consolidated statements of comprehensive income
for each of the two years in the period ended December 31, 2024

(Korean won)

	Notes	2024	2023
Operating income:			
Interest income	25	₩ 5,861,456,677,298	₩ 4,862,296,433,703
Fee and commission income	27	12,461,585,964	13,876,463,696
Gain on disposal of financial assets at fair value through OCI	8	-	533,579,094
Gain on valuation and transaction of derivatives	9	1,598,799,222,465	872,975,412,801
Gain on foreign currency translation		26,151,546,753	10,942,029,039
Gain on foreign currency transaction		45,285,594,364	26,795,126,180
Other operating income		107,551,392,594	122,672,396,000
		7,651,706,019,438	5,910,091,440,513
Operating expenses:			
Interest expenses	26	5,345,634,197,840	4,282,655,903,786
Fee and commission expenses	27	110,643,009,823	119,629,914,864
Bad debt expenses		70,219,548,944	27,439,217,195
Loss on valuation and transaction of derivatives	9	190,460,470,704	708,036,050,879
Loss on foreign currency translation		1,398,520,900,000	480,560,052,819
Other operating expenses		4,808,820,103	5,790,091,030
Selling and administrative expenses	28	228,232,953,942	221,333,767,191
		7,348,519,901,356	5,845,444,997,764
Operating profit		303,186,118,082	64,646,442,749
Other income (expenses):			
Loss on disposal of property and equipment		(4,706,788)	(299,639,616)
Other losses, net	29	(2,543,606,094)	(2,645,914,951)
		(2,548,312,882)	(2,945,554,567)
Profit before income taxes		300,637,805,200	61,700,888,182
Income tax expense	30	65,826,224,176	16,197,156,105
Profit for the year		234,811,581,024	45,503,732,077
Other comprehensive income (loss) :			
Items that will not be reclassified to profit or loss in subsequent periods:			
Remeasurements of net defined benefit liabilities		(6,720,647,695)	(8,836,600,926)
Net loss on equity instruments measured at fair value through OCI		(184,560,000)	113,880,000
		(6,905,207,695)	(8,722,720,926)
Items that will or may be reclassified to profit or loss in subsequent periods:			
Net gain on debt instruments measured at fair value through OCI		5,918,707,014	20,681,516,253
Net gain (loss) on valuation of cash flow hedges		(10,367,603,678)	26,426,500,719
		(4,448,896,664)	47,108,016,972
		(11,354,104,359)	38,385,296,046
Total comprehensive income		₩ 223,457,476,665	₩ 83,889,028,123

The accompanying notes are an integral part of the consolidated financial statements.

Korea Housing Finance Corporation and its subsidiaries
Consolidated statements of changes in equity
for each of the two years in the period ended December 31, 2024

(Korean won)

	Paid-in capital	Other components of equity	Retained earnings	Total
As of January 1, 2023	₩ 2,335,276,800,000	₩ (144,618,097,663)	₩ 1,884,804,138,874	₩ 4,075,462,841,211
Increase in capital	394,895,360,000	-	-	394,895,360,000
Dividends paid	-	-	(43,391,587,040)	(43,391,587,040)
Profit for the year	-	-	45,503,732,077	45,503,732,077
Net gain on equity instruments measured at fair value through OCI	-	113,880,000	-	113,880,000
Net gain on debt instruments measured at fair value through OCI	-	20,681,516,253	-	20,681,516,253
Net gain on valuation of cash flow hedges	-	26,426,500,719	-	26,426,500,719
Remeasurements of net defined benefit liabilities	-	-	(8,836,600,926)	(8,836,600,926)
As of December 31, 2023	**₩ 2,730,172,160,000**	**₩ (97,396,200,691)**	**₩ 1,878,079,682,985**	**₩ 4,510,855,642,294**
As of January 1, 2024	₩ 2,730,172,160,000	₩ (97,396,200,691)	₩ 1,878,079,682,985	₩ 4,510,855,642,294
Increase in capital	-	-	-	-
Dividends paid	-	-	-	-
Profit for the year	-	-	234,811,581,024	234,811,581,024
Net loss on equity instruments measured at fair value through OCI	-	(184,560,000)	-	(184,560,000)
Net gain on debt instruments measured at fair value through OCI	-	5,918,707,014	-	5,918,707,014
Net loss on valuation of cash flow hedges	-	(10,367,603,678)	-	(10,367,603,678)
Remeasurements of net defined benefit liabilities	-	-	(6,720,647,695)	(6,720,647,695)
As of December 31, 2024	**₩ 2,730,172,160,000**	**₩ (102,029,657,355)**	**₩ 2,106,170,616,314**	**₩ 4,734,313,118,959**

The accompanying notes are an integral part of the consolidated financial statements.

Korea Housing Finance Corporation and its subsidiaries
Consolidated statements of cash flows
for each of the two years in the period ended December 31, 2024

(Korean won)

	2024	2023
Cash flows from operating activities:		
Profit for the year	₩ 234,811,581,024	₩ 45,503,732,077
Adjustments to reconcile profit for the year to net cash used in operating activities:		
Interest expenses	5,345,634,197,840	4,282,655,903,786
Retirement benefits	14,582,845,019	12,595,324,103
Increase in provisions for conversion incentives	4,050,585,463	4,631,229,311
Depreciation	28,787,245,524	27,180,708,299
Amortization	11,324,211,181	10,981,876,183
Loss on disposal of property and equipment	4,706,788	299,639,616
Loss on transaction of acquisition commitments	25,804,781,338	163,739,083,912
Loss on valuation of derivatives held for trading	31,523,317,367	386,921,591,989
Loss on valuation of derivatives held for hedging	26,135,378,938	10,941,000,000
Loss on foreign currency translation	1,398,520,900,000	480,560,052,819
Impairment loss on loan receivables at amortized cost	125,705,919,849	78,938,847,736
Other impairment loss	1,859,457,697	2,197,165,272
Income tax expense	65,826,224,176	16,197,156,105
Interest income	(5,861,456,677,298)	(4,862,296,433,703)
Gain on transaction of acquisition commitments	(107,998,537,820)	(208,989,051,443)
Gain on valuation of acquisition commitments	(39,743,940,061)	(10,529,958,615)
Gain on valuation of derivatives held for trading	(31,727,184)	-
Gain on valuation of derivatives held for hedging	(1,398,520,900,000)	(480,558,900,000)
Gain on valuation of securities at fair value through profit or loss	(3,516,692,199)	(643,452,967)
Gain on foreign currency translation	(26,151,546,753)	(10,942,029,039)
Reversal of allowance for doubtful accounts	(56,431,344,159)	(52,984,669,355)
Reversal of other allowance for doubtful accounts	(914,484,443)	(712,126,458)
Dividend income	(211,059,600)	(104,115,980)
Gain on lease termination	-	(225,187)
Gain on disposal of debt instruments at fair value through OCI	-	(533,579,094)
Reversal of restoration liabilities	(134,721,907)	(104,170,077)
	(415,351,860,244)	(150,559,132,787)
Changes in operating assets and liabilities:		
Due from banks	(4,242,866,855,383)	(3,627,761,612,928)
Securities at fair value through profit or loss	(862,240,205,620)	1,067,928,992,700
Loan receivables at amortized cost	4,159,915,430,619	(23,642,868,240,826)
Deferred loan origination fees and costs	(161,532,448,281)	(242,541,083,985)
Accrued income	(366,428,541)	170,634,297
Advanced payments	15,452,564	(16,816,200)
Prepaid expenses	3,107,530,805	(7,272,502,208)
Derivatives held for trading	24,543,593,223	31,443,028,036
Other receivables	10,715,558	9,629,322,312
Other assets	2,276,812,050	(15,870,387,590)
Other payables	(5,325,493,282)	17,932,487,839
Accrued expenses	(478,426,842)	470,846,099
Advances received	1,540,214,145	2,369,046,665
Unearned revenue	(12,410,540)	384,558,814
Withholdings	40,642,789	(30,653,212)
Provisions for employee benefits	11,748,122	37,631,686
Provisions for conversion incentives	(10,151,627)	(16,110,595)
Provisions for restoration costs	-	(374,918,000)
Payment of retirement benefits	(3,587,705,123)	(3,815,944,478)
Plan assets	(2,668,599,201)	74,709,675
Financial guarantee contract liabilities	1,983,191,028	-
	(1,085,643,393,537)	(26,410,127,011,899)
Interest received	5,828,378,248,895	4,786,717,095,296
Interest paid	(5,224,852,052,043)	(4,030,509,246,982)
Dividends received	211,059,600	104,115,980
Income tax paid	(49,049,403,550)	(139,555,181,166)
Net cash flows used in operating activities	₩ (711,495,819,855)	₩ (25,898,425,629,481)

(continued)

Korea Housing Finance Corporation and its subsidiaries
Consolidated statements of cash flows
for each of the two years in the period ended December 31, 2024 (cont'd)

(Korean won)

	2024	2023
Cash flows from investing activities:		
Proceeds from disposal of securities at fair value through OCI	₩ 220,357,194,000	₩ 539,990,242,311
Decrease in leasehold deposits	18,380,111,730	16,362,067,565
Decrease in loans	474,052,300	457,773,000
Disposal of property and equipment	121,830	255,494
Acquisition of property and equipment	(25,109,773,451)	(14,633,973,698)
Acquisition of intangible assets	(4,276,082,475)	(3,500,000)
Acquisition of securities at fair value through OCI	(300,320,397,792)	(1,301,323,344,233)
Increase in leasehold deposits	(11,768,146,673)	(12,625,768,291)
Increase in loans	(104,412,880)	(171,801,000)
	(102,367,333,411)	(771,948,048,852)
Net cash flows used in investing activities		
Cash flows from financing activities:		
Net increase in public bonds issued	11,985,322,625,044	10,985,756,153,240
Issuance of securitized securities	16,400,854,343,066	33,247,375,833,972
Issuance of foreign securitized securities	2,486,548,889,176	3,629,226,857,294
Increase in capital	-	394,895,360,000
Increase in borrowings	300,000,000,000	790,000,000,000
Repayment of securitized securities		
Repayment of foreign securitized securities	(22,817,074,000,000)	(17,262,187,000,000)
Repayment of borrowings	(668,010,000,000)	(648,805,000,000)
Repayment of public bonds issued	(500,000,000,000)	(740,000,000,000)
Payment of dividends	(6,130,000,000,000)	(3,680,000,000,000)
Payment of principal portion of lease liabilities	-	(43,391,587,040)
	(6,153,158,724)	(5,517,487,863)
Net cash flows provided by financng activities	1,051,488,698,562	26,667,353,129,603
Net foreign exchange difference	4,435,043	(131,954)
Net increase (decrease) in cash and cash equivalents	237,625,545,296	(3,020,548,730)
Cash and cash equivalents at the beginning of the year	43,196,013,211	46,216,693,895
Cash and cash equivalents at the end of the year	₩ 280,825,993,550	₩ 43,196,013,211

The accompanying notes are an integral part of the consolidated financial statements.

1. Company overview

Korea Housing Finance Corporation (the "Company") was incorporated on March 1, 2004, under *the Korea Housing Finance Corporation Act* (the "KHFC Act"), and subsequently took over the mortgage-backed loan securitization business from Korea Mortgage Corporation (the "KoMoCo") on March 17, 2004.

The Company is primarily engaged in the acquisition of mortgage loan originated by the financial institutions and other related activities in accordance with the KHFC Act. The Company also issues mortgage-backed securities (MBS) by using the loans acquired, and subsequently transferring them to its trust account, as the underlying asset on behalf of the trust. The issuance of MBS is facilitated by the Company establishing a trust, and the Company is involved in the administration, management and disposition of the trust.

At the inception of the Company, its capital contribution amounted to ₩320,000 million, and as of December 31, 2024, capital contributions have increased to ₩2,737,400 million as a result of a subsequent capital increase.

As of December 31, 2024, details of the shareholders of the Company and their shareholdings are as follows (Korean won in millions):

Shareholders	Amounts		Percentage of ownership (%)
The Korean Government	₩	1,742,400	63.65%
The Bank of Korea		995,000	36.35%
	₩	2,737,400	100.00%

1.1 Scope of consolidation

Subsidiaries are all entities (including special purpose companies) over which the Company has control. The Company controls the corresponding investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The consolidation of a subsidiary begins from the date the Company obtains the control of a subsidiary and ceases when the Company loses its control of the subsidiary.

Balances of receivables and payables, income and expenses and unrealized gains arising from the intercompany transactions are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company and its subsidiaries (collectively referred to as the "Group").

As of December 31, 2024, the consolidated subsidiaries included in the consolidated financial statements are trusts held by the Company and the Company acts as a trustee for such trusts.

1.2 Summary of financial information of the subsidiaries

The summarized financial information of subsidiaries as of and for the year ended December 31, 2024 is as follows (Korean won in millions):

	As of and for the year ended December 31, 2024					
Trusts	Assets	Liabilities	Retained earnings	Revenue	Expenses	Profit (loss)
KHFCMB2005S-05 and 3 others	₩ 96,816	₩ 84	₩ 96,732	₩ 3,683	₩ 12	₩ 3,671
KHFCMB2006S-03 and 1 others	30,904	42	30,862	1,353	6	1,347
KHFCMB2007S-03 and 1 others	18,052	1,390	16,662	807	46	761
FCMB2008S-06 and 1 others	12,144	986	11,158	898	40	858
KHFCMB2009S-13 and 2 others	24,014	14,455	9,559	1,187	762	425
KHFCMB2010S-18 and 3 others	35,644	34,315	1,329	1,212	1,878	(666)
KHFCMB2011S-20 and 2 others	33,913	38,697	(4,784)	(6,955)	3,300	(10,255)
KHFCMB2012S-41 and 22 others	268,444	318,735	(50,291)	(11,115)	19,716	(30,831)
KHFCMB2013S-40 and 34 others	604,207	600,103	4,104	23,049	31,234	(8,185)
KHFCMB2014S-22 and 21 others	723,381	653,334	70,047	25,039	33,316	(8,277)
KHFCMB2015S-28 and 27 others	11,637,101	11,462,617	174,484	350,526	381,050	(30,524)
KHFCMB2016S-29 and 28 others	6,409,417	6,109,311	300,106	167,428	223,823	(56,395)
KHFCMB2017S-30 and 29 others	9,408,957	9,273,442	135,515	296,142	336,056	(39,914)
KHFCMB2018S-31 and 30 others	8,278,604	8,172,613	105,991	283,098	285,790	(2,692)
KHFCMB2019S-28 and 27 others	14,050,589	13,793,178	257,411	411,505	389,784	21,721
KHFCMB2020S-39 and 38 Others	31,012,575	30,715,725	296,850	735,475	707,790	27,685
KHFCMB2021S-26 and 25 others	26,265,492	26,201,517	63,975	703,669	744,182	(40,513)
KHFCMB2022S-20 and 19 others	13,142,992	13,329,480	(186,488)	504,961	575,825	(70,864)
KHFCMB2023S-36 and 35 others	28,798,105	28,939,175	(141,070)	1,439,043	1,515,484	(76,441)
KHFCMB2024S-24 and 23 others	16,338,041	16,336,839	1,202	380,193	378,991	1,202
	₩ 167,189,392	₩ 165,996,038	₩ 1,193,354	₩ 5,311,198	₩ 5,629,085	₩ (317,887)

	As of and for the year ended December 31, 2024					
Subsidiaries	Assets	Liabilities	Retained earnings	Revenue	Expense	Profit (loss)
HF PARTNERS CORP.	₩ 2,946	2,414	532	11,157	11,876	(719)

1.3 Changes in the scope of consolidation

Subsidiaries newly included in consolidation and those excluded from consolidation for the year ended December 31, 2024 are as follows:

1.3.1 Subsidiaries newly included in consolidation

Trusts and Subsidiaries	Reason
KHFCMB2024S-01~24 (Total of 24 trusts)	Payment guarantees for senior beneficiary securities issued by the trusts of the Company

1.3.2 Subsidiaries excluded from consolidation

Trusts	Reason
KHFCMB2008S-04	Liquidation of trusts
KHFCMB2011S-09, 18, 21	
KHFCMB2012S-01, 02, 05, 07, 10, 12, 14, 16, 18, 27	
KHFCMB2013S-11, 24, 33	
(Total of 17 trusts)	

2. Basis of preparation and summary of material accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis of preparation

The accompanying consolidated financial statements have been translated into English from Korean financial statements. In the event of any differences in interpreting the consolidated financial statements or the independent auditor's report thereon, Korean version, which is used for regulatory reporting purposes, shall prevail.

The consolidated financial statements of the Group have been prepared in accordance with the Rules for Accounting Affairs of Public Corporations and Quasi-governmental Institutions in the Republic of Korea, and pursuant to its Article 2-5, the Group applies International Financial Reporting Standards as adopted by the Republic of Korea ("KIFRS") for specific accounting treatments that are not prescribed by the Rules for Accounting Affairs of Public Corporations and Quasi-governmental Institutions.

There are no accounts of which accounting treatment is different compared to KIFRS in order for the Company to be in full compliance with the Rules for Accounting Affairs of Public Corporations and Quasi-governmental Institutions.

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties, land and buildings classified as property and equipment, derivative financial instruments, debt and equity financial assets, contingent consideration and non-cash distribution liabilities that have been measured at fair value. The carrying values of recognized assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortized cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships. The consolidated financial statements are presented in Korean won (KRW, won or ₩) and all values are rounded to the nearest million, except when otherwise indicated.

The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the consolidated financial statements.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as of December 31, 2024. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement(s) with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statements of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are recognized in capital transactions.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

2.3 Summary of material accounting policy information

2.3.1 Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an

orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

	Notes
➢ Disclosures for valuation methods, significant estimates and assumptions;	3, 5
➢ Quantitative disclosure of fair value hierarchy;	5
➢ Investment in non-listed equity shares; and	5.2, 8
➢ Financial instruments (including those carried at amortized cost).	5

2.3.2 Revenue recognition

The Group engages in the business of securitizing residential mortgage receivables, etc. Interest income generated from residential mortgages receivables, etc., which are the basic assets for securitization, and the interest expenses generated from residential mortgage debt obligations (MBBs) and residential mortgage securities (MBS) issued by the Group during the securitization process are recognized using the EIR method.

(1) Interest income and expense

Interest income and expense are recognized using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or groups of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future loan loss. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. In those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the Group uses the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Interest on impaired financial assets is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(2) Fee and commission income

The Group recognizes financial service fees in accordance with the accounting standards for financial instrument and the objective of charging the fees.

Fees that are an integral part of the effective interest of a financial instrument
Such fees are generally treated as adjustments of effective interest. Such fees may include compensation for activities such as evaluating the borrower's financial condition, collateral and other security arrangements, evaluating and recording guarantees, preparing and processing documents and closing the transaction and origination fees received on issuing financial liabilities measured at amortized cost.

Fees earned as services are provided
Such fees are recognized as revenue as the services are provided. The fees include fees charged for servicing a financial instrument and charged for managing investments.

Fees that are earned upon the execution of a significant act
Such fees are recognized as revenue when the significant act has been completed.

2.3.3 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. Government grants related to assets are presented in the consolidated statement of financial position by deducting the grant in arriving at the carrying amount of the asset, and government grants related to income are deferred and later deducted from related expense.

When the Group receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset.
When loans or similar assistance are provided by the government or related institutions, with an interest rate below the current applicable market rate, the effect of this preferential interest is regarded as a government grant.

2.3.4 Taxes

(1) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income and other comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(2) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.3.5 Foreign currencies

The Group's consolidated financial statements are presented in Korean won, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss is also recognized in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

2.3.6 Cash dividend

The Company recognizes a liability to pay a dividend when the distribution is authorized and the distribution is no longer at the discretion of the Company. A distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

2.3.7 Property and equipment

Construction in progress is stated at cost, net of accumulated impairment losses, and property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Property, plant and equipment transferred from customers are initially measured at fair value at the date on which control is obtained.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets, as follows:

Classification	Depreciation method	Useful life
Buildings	Straight-line method	40 years
Vehicles	Straight-line method	5 years
Office equipment	Straight-line method	5 years
Other property and equipment	Straight-line method	5 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income when the asset is derecognised. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at the end of each financial year and adjusted prospectively, if appropriate.

2.3.8 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(1) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Buildings (office etc.) - 1 to 10 years
- Motor vehicles and other equipment - 3 to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 2.3.13 Impairment of non-financial assets.

(2) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(3) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

2.3.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.3.10 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.
Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income and other comprehensive income in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income.

A summary of the policies applied to the Group’s intangible assets is as follows:

Classification	Amortization method	Useful life
Patent	Straight-line method	10 years
Software	Straight-line method	5 years
Membership	Unamortized	Indefinite

2.3.11 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(1) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Assets measured at amortised cost are included in the business model which manages financial assets to collecting contractual cash flows while assets measured at fair value through OCI are included in the business model which manages financial assets to collect contractual cash flows and sell the assets both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the transaction date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For the purposes of subsequent measurement, financial assets are classified into the following four categories:

- financial assets at amortised cost (debt instruments);
- financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition; and
- financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at amortised cost include loan receivables and other loans.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of comprehensive income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Group's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under KIFRS 1032 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of comprehensive income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of comprehensive income.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in the following notes:

	Notes
➢ Disclosures for significant assumptions;	3
➢ Debt instruments at fair value through OCI; and	4.2
➢ Loan at amortised cost.	4.2, 11

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For financial assets at fair value through OCI, the Group applies a simplified approach in calculating ECLs. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument.
In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group's debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category (Very Good and Good) by the credit rating agency and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the credit rating agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(2) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at amortised cost (Loans and borrowings)

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of comprehensive income.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 16, 17.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

(3) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

2.3.12 Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

(1) Derivative financial instruments held for trading

All derivative financial instruments, except for derivatives that are designated and qualify for hedge accounting, are measured at fair value. Gains or losses arising from a change in fair value are recognized in profit of loss.

(2) Derivative financial instruments held for hedging

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment;
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; and
- hedging the risk of net investment in foreign operations.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.
The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- there is “an economic relationship” between the hedged item and the hedging instrument;
- the effect of credit risk does not “dominate the value changes” that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging derivative is recognized in the consolidated statement of comprehensive income. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the consolidated statement of comprehensive income.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.
When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit and loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the consolidated statement of comprehensive income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognized as other expense and the ineffective portion relating to commodity contracts is recognized in other operating income or expenses. Refer to Note 9 for more details.

The Group designates currency swap as a hedging instrument. For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.
If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur.

Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized as OCI while any gains or losses relating to the ineffective portion are recognized in the consolidated statement of comprehensive income. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the consolidated statement of comprehensive income.

(3) Derivative financial instruments held for acquisition commitments

The Group recognizes changes in the fair value of loan receivables under acquisition commitments as derivative financial instruments, and gains or losses on valuation due to changes in the fair value are recognized in profit or loss within the consolidated statements of profit or loss and other comprehensive income.

2.3.13 Impairment of non-financial assets

- Disclosure of significant assumptions: Note 3
- Property and equipment: Note 12
- Intangible assets: Note 13

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recorded in profit or loss as an expense item consistent with the function of the impaired assets.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the consolidated statement of comprehensive income and other comprehensive income in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognized in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine

whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income and other comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Intangible assets with indefinite useful lives are tested for impairment annually as of December 31 at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

2.3.14 Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

2.3.15 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. When the Group expects some or all of a provision to be reimbursed by a third party, the reimbursement is recognized as a separate asset, but only when it is virtually certain that the third party will reimburse upon the Group's fulfillment of the obligation. The expense relating to a provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

Where time value of money effects are material, provisions are discounted at current pre-tax interest rates that reflect the specific risks of the liability. When provisions are evaluated at its present value, the increase in the carrying amount due to the passage of time is recognized as finance cost.

(1) Provisions for employment benefits

The Group recognizes provisions for employee benefits by estimating the expected performance incentives to be received by employees as a result of business assessment.

(2) Provisions for conversion incentives

Provisions for conversion incentives are recorded by estimating the cumulative amount of preferential interests that will accrue if borrowers over a certain age pledge to subscribe to the housing pension program when they take loans from the Group.

(3) Provisions for restoration costs

The Group recognizes a provisions for the restoration of each leased office. Restoration costs are calculated as the present value of the estimated costs of fulfilling the obligation based on estimated cash flows and are recognized as part of the cost of the related asset. Estimated cash flows are measured discounted at current pre-tax interest rates that reflect the specific risks of the restoration liability. Thereafter, over time, the amortization amount for the discount is reflected in the consolidated statements of profit or loss and other comprehensive income at finance cost. Estimates for future restoration cost are reviewed and adjusted at the end of each reporting period. Changes in estimated future costs or applicable discount rates are adjusted by adding to or subtracting from the cost of the asset.

2.3.16 Pension benefits and other post-employment benefits

The Group operates a defined benefit pension plan.
The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:
- the date of the plan amendment or curtailment; and
- the date that the Group recognizes related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the net defined benefit obligation interest and past service cost under 'selling and administrative expenses' in the consolidated statement of profit or loss.

2.3.17 Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorization for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognizes in its consolidated financial statements. The Group will adjust the amounts recognized in its consolidated financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognized in its consolidated financial statements, but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

2.3.18 Approval of the consolidated financial statements

The consolidated financial statements for the year ended December 31, 2024 were approved for issue by the Chief Executive Officer on February 17, 2025.

2.4 Changes in accounting policies and disclosures

2.4.1 New and amended standards

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2024. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(1) Amendments to KIFRS 1116 - *Lease Liability in a Sale and Leaseback*
The amendments to KIFRS 1116 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

The amendments had no impact on the Group's consolidated financial statements.

(2) Amendments to KIFRS 1001 - *Classification of Liabilities as Current or Non-current*
The amendments to KIFRS 1001 specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
• what is meant by a right to defer settlement;
• that a right to defer must exist at the end of the reporting period;
• that classification is unaffected by the likelihood that an entity will exercise its deferral right;

and
• that if under the condition that an entity settles the liability by transferring its equity instruments, the option is classified as equity instrument and the option is recognized separate from the liability as a component of equity for hybrid financial instrument, there is no impact on current or non-current classification.

In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments had no impact on the Group's consolidated financial statements.

(3) Amendments to KIFRS 1007 and KIFRS 1107 - *Supplier Finance Arrangements*

The amendments to KIFRS 1007 *Statement of Cash Flows* and KIFRS 1107 *Financial Instruments: Disclosures* clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments had no impact on the Group's consolidated financial statements.

2.4.2 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

(1) Amendments to KIFRS 1021 - *Lack of exchangeability*

The amendments to KIFRS 1021 *The Effects of Changes in Foreign Exchange Rates* specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after January 1, 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

The amendments are not expected to have a material impact on the Group's consolidated financial statements.

(2) Amendments to KIFRS 1109 *Financial Instruments* and KIFRS 1107 *Financial Instruments: Disclosures – Classification and Measurement of Financial Instruments*

The amendments to KIFRS 1109 *Financial Instruments* and KIFRS 1107 *Financial Instruments: Disclosures – Classification and Measurement of Financial Instruments* include the following:
• clarifying that a financial liability is derecognized on the settlement date and introduce an accounting policy choice to derecognize financial liabilities that are settled by using electronic payment system before the settlement date (if specific criteria are met);
• providing additional guidance as to how to assess contractual cash flows of financial assets with environmental, social and governance (ESG)-linked features and similar features;
• clarifying what constitutes non-recourse features and the characteristics of contractually linked financial instruments; and
• introducing new disclosures for financial instruments with contingent features and adding

disclosure requirements for equity instruments measured at fair value through other comprehensive income.

The amendments will be effective for annual periods beginning on or after January 1, 2026. Earlier adoption is permitted, but only for the amendments for the classification of financial assets and related disclosures. The Group does not plan to early apply the amendments.

In relation to the derecognition of financial liabilities that are settled via electronic payment systems, the Group is performing assessment on all the major electronic payment systems used in various jurisdictions in which the Group operates. The Group is assessing whether the amendments will have a material impact on the current practices and whether the criteria for the accounting policy choice to derecognize financial liabilities are met. In order to assess if a financial asset is derecognized on the date on which the contractual rights to the cash flows expire, and if a financial liability is derecognized on the settlement date, the Group is currently assessing all payment systems such as cheques, credit cards, and debit cards.

Furthermore, the Group is assessing the impact of the amendments on financial assets with ESG-linked and similar contingent features, financial instruments with non-recourse features, and contractually linked financial instruments. The amendments are not expected to have a material impact on its consolidated financial statements based on the initial assessment performed but the assessment has not been completed.

(3) Annual Improvements to KIFRS - Volume 11

Annual Improvements to KIFRS - Volume 11 have been announced for the purpose of improving consistency of requirements set out in each standard, enhancing clarity, and providing better understanding of the amendments.

· Amendments to KIFRS 1101 *First-time adoption of KIFRS: Hedge accounting by a first-time adopter*
· Amendments to KIFRS 1107 *Financial Instruments: Disclosures: Gain or loss on derecognition, Guidance for application of amendments in practice*
· Amendments to KIFRS 1109 *Financial Instruments: Accounting for derecognition of lease liabilities and definition of transaction prices*
· Amendments to KIFRS 1110 *Consolidated Financial Statements: Determination of a 'de facto agent'*
· Amendments to KIFRS 1007 *Statement of Cash Flows: Cost Method*

The amendments will be effective for annual periods beginning on or after January 1, 2026. Earlier adoption is permitted, but will need to be disclosed. The amendments are not expected to have a material impact on the consolidated financial statements.

3. Material accounting estimates and assumptions

The preparation of consolidated financial statements requires the Group to make estimates and assumptions concerning the future. Management also needs to exercise judgment in applying the Group's accounting policies. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As the resulting accounting estimates will, by definition, seldom equal the related actual results, it can contain a significant risk of causing a material adjustment.
The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Additional information of significant judgment and assumptions of certain items are included in:

- Capital management	Note 4.5
- Financial instruments risk management and policies	Note 4.1
- Sensitivity analyses disclosures	Notes 4.4, 5.2, 18.(6)

3.1. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

3.1.1 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives are tested for impairment annually and other non-financial assets are tested when circumstances indicate that the carrying value may be impaired. To calculate value in use, management must estimate the future cash flows that will arise from the asset or cash-generating unit and select an appropriate discount rate to calculate the present value of these future cash flows.

3.1.2. Loan receivables at amortized costs and allowance for expected loss

The allowance for losses on loan receivables measured at amortized cost is measured based on assumptions of default and expected loss rates. In selecting the input variables used in these assumptions and loss models, the Group takes into account its past experience, current market conditions, and forward-looking information as of the financial reporting date.
The information about the ECLs on the Group's loan receivables are disclosed in Note 4.2.

3.1.3. Retirement benefit plan

The cost of defined benefit pension plans and the present value of retirement pension obligations are determined based on actuarial valuation methods. Applying actuarial valuation methods requires making various assumptions. Setting these assumptions includes determining discount rates, future wage growth rates, mortality rates and future pension growth rates. Due to the complex and long-term nature of the valuation method, defined benefit obligations are sensitive to these assumptions. All assumptions are reviewed at the end of each reporting period.

To determine the appropriate discount rate, management references interest rates on AAA-rated corporate bonds. Mortality rates are based on publicly available data, and future wage growth and future pension growth rates are based on the country's expected inflation rate.

Further details are described in Note 18.

3.1.4 Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

3.1.5 Useful lives and residual values of property, plant and equipment

The Group reviews the estimated residual values and expected useful lives of property, plant and equipment at least annually. In particular, it considers the impact of health, safety and

environmental legislation in its assessment of expected useful lives and estimated residual values. Furthermore, the Group considers climate-related matters, including physical and transition risks.

3.1.6 Provisions for restoration cost

The Group recognized provisions for restoration costs related to offices that are leased and occupied.

As of December 31, 2024, the carrying amount of the provisions for restoration costs recognized based on the best estimate is KRW 3,626 million. The Group estimates that the expense will be realized in one to ten years and calculates the provision using the DCF method based on the following assumptions:

- Estimated cost range per area (3.30579 m^2): KRW 155 thousand ~ KRW 451 thousand; and
- Discount rate: 1.303%~5.424%.

If the pre-tax discount rate applied to calculate the provision increases by 1% from the management's estimate, the carrying amount of the provision will decrease by KRW 112 million from the amount recorded in the consolidated financial statements.

3.1.7 Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

4 Financial risk management

4.1 Overview

4.1.1 Overview of financial risk management policy

The financial risks that the Group is exposed to are credit risk, market risk, liquidity risk and others.

The note regarding financial risk management provides information about the risks that the Group is exposed to, including the objectives, policies and processes for managing the risks, the methods used to measure the risks, and capital adequacy. Additional quantitative information is disclosed throughout the consolidated financial statements.

The Group’s risk management system focuses on increasing transparency, developing the risk management environment and the preemptive response to risk due to rapid changes in the financial environment to support the Group’s long-term strategy and business decisions efficiently. Credit risk, market risk, liquidity risk and others have been recognized as the Group’s key risks.

4.1.2 Risk management organization

Risk Management Committee
The Risk Management Committee establishes risk management strategies in accordance with the directives of the Board of Directors and determines the Group's target risk appetite, approves significant risk matters and reviews the level of risks that the Group is exposed to and the appropriateness of the Group's risk management operations as an ultimate decision-making authority.

Risk Management Council
The Risk Management Council is a consultative group which reviews and makes decisions on matters delegated by the Risk Management Committee and discusses the detailed issues relating to the Group's risk management.

Risk Management Group
The Risk Management Group is responsible for managing specific policies, procedures and work processes relating to the Group's risk management and monitoring and managing limits of group economic capital.

4.2 Credit risk

4.2.1 Overview of credit risk

Credit risk is the risk of possible losses in an asset portfolio in the event of a counterparty's default, breach of contract and deterioration in the credit quality of the counterparty. For risk management reporting purposes, the individual borrower's default risk, country risk, specific risks and other credit risk exposure components are considered as a whole.

4.2.2 Credit risk management

The Group measures expected losses and economic capital on assets that are subject to credit risk management whether on- or off-balance sheet and uses expected losses and economic capital as a management indicator. The Group manages credit risk by allocating credit risk economic capital limits.

4.2.3 Maximum exposure to credit risk

The Group's maximum exposures of financial instruments to credit risk without consideration of collateral values as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	As of December 31, 2024	As of December 31, 2023
Financial assets:		
Cash and due from banks	₩ 10,619,226	₩ 6,138,729
Securities at FVPL	1,107,656	241,899
Debt securities at FVOCI	1,659,187	1,570,261
Loan receivables at amortized costs	175,283,174	179,551,467
Derivative financial assets	1,726,713	466,862
Other financial assets	541,200	478,731
Financial guarantee contract	1,990,195	–
	₩ 192,927,351	₩ 188,447,949

4.2.4 Credit risk of loan receivables

The Group sets and manages expected credit loss and recognizes loss manage credit risks on loan receivables.

The Group measures expected credit loss and recognizes loss allowance at the end of the reporting period for financial assets at amortized costs and fair value through other comprehensive income with exception of financial asset measured at fair value through profit or loss.

Expected credit losses are a probability-weighted estimate of credit losses reflecting time value of money. The Group measures expected credit losses by reflecting information that is reasonably available at the report date without undue cost of effort, including information about past events, current conditions and forecasts of future economic conditions.

The Group uses the following two measurement techniques in accordance with KIFRS:

- general approach: for financial assets and off-balance-sheet unused credit line that are not applied below approach; and
- credit-impaired approach: for purchased or originated credit-impaired financial assets.

Different measurement approaches are applied depending on significant increase in credit risk. 12 month expected credit losses is recognized when credit risk has not significantly increased since initial recognition. A loss allowance at an amount equal to lifetime expected credit losses is recognized when credit risk has significantly increased since initial recognition. Lifetime is presumed to be a period to the contractual maturity date of a financial asset (the expected life of the financial asset).

One or more of the following items is deemed significant increase in credit risk. When the contractual cash flows of a financial asset are renegotiated or otherwise modified the Group determines whether the credit risk has increased significantly since initial recognition using the following information:

- overdue over 30 days;
- decline in credit rating at period end by more than certain notches as compared to that at initial recognition; and
- high risk listing (listed below asset quality prudence, lowest credit rating and no grades).

The Group generally considers credit is impaired if one or more of the followings are met:

- overdue over 90 days;
- legal proceedings; or
- listing in faulty information of banking association.

A. Forward-looking information

The Group uses forward-looking information when determining whether credit risk increases significantly and estimating expected credit loss.

The Group assumes the risk component has a certain correlation with the business cycle and calculates the expected credit loss by reflecting the forward-looking information with macroeconomic variables such as interest rates, Gross Domestic Product (GDP), household credit elasticity and others.

The risk management team of the Group measures expected credit loss by reflecting business plan scenarios and outlook from external agency comprehensively.

B. Measuring expected credit loss of financial assets at amortized cost

4.2.4. Credit risk of loan receivables (cont'd)

Expected credit loss of financial assets at amortized cost is measured as the difference between the present value of the cash flows expected to be received and the contractual cash flow of the asset in the year. For this purpose, the Group measures expected cash flows for individually significant financial assets (individual assessment of impairment).

For financial assets that are not individually significant, the Group collectively estimates expected credit loss by grouping loans with homogeneous credit risk profile (collective assessment of impairment).

a. Individual assessment of impairment

Individual assessment of impairment losses is calculated using management's best estimate on present value of expected future cash flows. The Group uses all the available information including operating cash flow of the borrower and net realizable value of any collateral held.

b. Collective assessment of impairment

Collective assessment of allowance involves historical loss experience along with incorporation of forward-looking information. Such process incorporates factors such as type of collateral, product and borrowers, credit rating, size of portfolio and recovery period and applies probability of default (PD) on a group of assets and loss given default (LGD) by type of recovery method. Also, the expected credit loss model involves certain assumption to determine input based on loss experience and forward-looking information. These models and assumptions are periodically reviewed to reduce gap between loss estimate and actual loss experience.

Lifetime expected credit loss as of December 31, 2024 is calculated by the product of carrying amount net of expected repayment, PD for each period and LGD adjusted by change in carrying amount.

Loan receivables as of December 31, 2024, are categorized as follows (Korean won in millions):

	As of December 31, 2024			
	12 months expected credit loss	Lifetime expected credit loss		
Credit worthiness		Not impaired	Impaired	Total
Mortgage loan receivables (*1):				
Excellent	₩145,670,435	₩ 1,816,074	₩ -	₩147,486,509
Good	12,163,991	10,099,550	-	22,263,541
Normal or under	347,772	4,835,745	-	5,183,517
Impairment	-	-	577,667	577,667
	158,182,198	16,751,369	577,667	175,511,234
Deduction:				
Allowance for doubtful accounts	(7,365)	(154,194)	(51,648)	(213,207)
	158,174,833	16,597,175	526,019	175,298,027
Student loan receivables (*1):				
Excellent	-	-	-	-
Good	6,277	1	-	6,278
Normal or under	447	255	-	702
Impairment	-	-	7,971	7,971
	6,724	256	7,971	14,951
Deduction:				
Allowance for doubtful accounts	(23)	(6)	(2,494)	(2,523)
	6,701	250	5,477	12,428
	₩158,181,534	₩ 16,597,425	₩ 531,496	₩175,310,455

(*1) The above loan receivables exclude deferred loan origination fees and costs, present value discounts and present value premium amounts.

4.2.4. Credit risk of loan receivables (cont'd)

Loan receivables as of December 31, 2023 are categorized as follows (Korean won in millions):

	As of December 31, 2023			
	12 months expected credit loss	Lifetime expected credit loss		
Credit worthiness		Not impaired	Impaired	Total
Mortgage loan receivables (*1):				
Excellent	₩ 148,358,976	₩ 2,035,697	₩ -	₩ 150,394,673
Good	13,436,941	10,115,308	-	23,552,249
Normal or under	421,498	4,870,011	-	5,291,509
Impairment	-	-	427,362	427,362
	162,217,415	17,021,016	427,362	179,665,793
Deduction:				
Allowance for doubtful accounts	(6,198)	(107,767)	(40,713)	(154,678)
	162,211,217	16,913,249	386,649	179,511,115
Student loan receivables (*1):				
Excellent	-	-	-	-
Good	10,916	9	-	10,925
Normal or under	861	504	-	1,365
Impairment	-	-	10,207	10,207
	11,777	513	10,207	22,497
Deduction:				
Allowance for doubtful accounts	(44)	(17)	(3,192)	(3,253)
	11,733	496	7,015	19,244
	₩ 162,222,950	₩ 16,913,745	₩ 393,664	₩ 179,530,359

(*1) The above loan receivables exclude deferred loan origination fees and costs, present value discounts and present value premium amounts.

Credit qualities of loan receivables graded based on the internal credit ratings as of December 31, 2024 and 2023 are as follows:

Credit worthiness	Grade of individuals	Range of default ratio
Excellent	Grade 1 to 5	0.0%~1.0% or under
Good	Grade 6 to 8	Over 1.0%~5.0% or under
Normal or under	Grade 9 to 10, No grade	Over 5.0%

4.2.4. Credit risk of loan receivables (cont'd)

C. Credit risk mitigation effect by collateral

A quantification of the extent to which collaterals and other credit enhancements mitigate credit risk as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	As of December 31, 2024	As of December 31, 2023
	Impaired loan	Impaired loan
Guarantee	₩ 5,342	₩ 6,866
Real estate property	526,522	361,429
	₩ 531,864	₩ 368,295

4.2.5 Credit risk of securities

The method of measurement of the expected credit loss of financial assets at fair value through other comprehensive income is equal to that of the expected credit loss of financial assets at amortized cost, except for changes in loss allowances are recognized in other comprehensive income. Loss allowances on financial assets at fair value through other comprehensive income are reclassified from other comprehensive income to profit or loss when the financial assets at fair value through other comprehensive income are repaid or disposed.

The securities (debt securities) that are exposed to credit risk as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	As of December 31, 2024			
	12 months expected credit risk	Lifetime expected credit risk	Impaired receivables	Total
Securities at FVOCI				
Grade1	₩ 1,408,242	₩ -	₩ -	₩ 1,408,242
Grade2	250,945	-	-	250,945
Grade3	-	-	-	-
Grade4	-	-	-	-
Grade5	-	-	-	-
	₩ 1,659,187	₩ -	₩ -	₩ 1,659,187

	As of December 31, 2023			
	12 months expected credit risk	Lifetime expected credit risk	Impaired receivables	Total
Securities at FVOCI				
Grade1	₩ 1,359,158	₩ -	₩ -	₩ 1,359,158
Grade2	211,103	-	-	211,103
Grade3	-	-	-	-
Grade4	-	-	-	-
Grade5	-	-	-	-
	₩ 1,570,261	₩ -	₩ -	₩ 1,570,261

The credit qualities of securities (debt securities) according to the credit ratings by external rating agencies are as follows:

	Korea Investors Services Inc.	Korea Ratings Corporation	NICE Holdings Co., Ltd
Grade1	AA0 to AAA	AA0 to AAA	AA0 to AAA
Grade2	A- to AA-	A- to AA-	A- to AA-
Grade3	BBB0 to BBB+	BBB0 to BBB+	BBB0 to BBB+
Grade4	BB0 to BBB-	BB0 to BBB-	BB0 to BBB-
Grade5	BB- or under	BB- or under	BB- or under

4.2.6 Credit risk concentration analysis

Details of the securities (debt securities) and derivatives by industry as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	As of December 31, 2024		As of December 31, 2023	
	Amount	Ratio (%)	Amount	Ratio (%)
Derivative financial assets:				
Banking and insurance	₩ 1,726,713	100.00	₩ 466,862	100.00
	1,726,713	100.00	466,862	100.00
Securities at FVOCI:				
Government and government-invested institutions	692,795	41.76	586,593	37.36
Banking and insurance	906,253	54.62	964,111	61.40
Other	60,139	3.62	19,557	1.24
	1,659,187	100.00	1,570,261	100.00
	₩ 3,385,900		₩ 2,037,123	

4.3 Liquidity risk

4.3.1 Overview of liquidity risk

Liquidity risk is the risk of insolvency or loss due to a disparity between the inflow and outflow of funds, unexpected outflow of funds, and obtaining funds at a high price or disposing of securities at an unfavorable price due to lack of available funds. The Group manages its liquidity risk through analysis of the contractual maturity of financial assets, liabilities and off-balance sheet items such as commitments. The Group discloses them by maturity groups in five categories: Up to six months, between over six months and one year, between over one year and two years, between over two years and five years and over five years.

4.3.2 Liquidity risk management and indicator

The liquidity risk is managed by risk management guidelines and related regulations which are applied to the risk management policies and procedures that addresses all the possible risks that arise from the overall business of the Group.

For the purpose on liquidity management, liquidity ratio related to liquidity risk on transactions affecting the inflows and outflows of funds and transactions of off-balance sheet items are measured, managed and reported to the Risk Management Committee and Risk Management Council on a regular basis.

4.3.3 Analysis of remaining contractual maturity of financial liabilities and derivatives

The remaining contractual maturities of financial liabilities and derivatives as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	As of December 31, 2024					
Category (*1)	Less than 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial liabilities						
Borrowings	₩ -	₩ -	₩ -	₩ -	₩ -	₩ -
Public bonds issued	2,503,559	4,124,949	7,125,998	10,584,772	522,585	24,861,863
Securitized liabilities	22,147,524	15,149,461	29,893,806	52,805,273	68,518,895	188,514,959
Financial guarantee liabilities	26,145	26,145	52,290	1,428,195	457,240	1,990,195
Other financial liabilities (*2,3)	798,766	-	-	-	-	798,766
Other payables	45,348	-	-	-	-	45,348
Derivatives						
Derivatives held for trading						
Inflow of interest rate swap	5,780	40,970	40,970	77,010	56,950	221,680
Outflow of interest rate swap	(3,844)	(43,813)	(43,813)	(81,070)	(60,113)	(232,653)
Inflow of acquisition commitments	1,848	-	-	-	-	1,848
Outflow of acquisition commitments	(45,108)	-	-	-	-	(45,108)
Derivatives held for hedging						
Inflow of currency swap	2,452,753	1,877,755	5,710,303	10,168,694	771,043	20,980,548
Outflow of currency swap	(2,142,874)	(1,654,180)	(5,155,309)	(9,295,742)	(688,526)	(18,936,631)

(*1) Includes cash flows for both the principal and interest.
(*2) Excludes lease liabilities.
(*3) User rights and debt on obligation based on the employee benefits plan under KIFRS 1019 are excluded.

	As of December 31, 2023					
Category (*1)	Less than 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial liabilities						
Borrowings	₩ 200,242	₩ -	₩ -	₩ -	₩ -	₩ 200,242
Public bonds issued	1,933,150	2,748,553	5,240,631	7,378,081	456,691	17,757,106
Securitized liabilities	11,959,015	12,058,212	35,788,100	64,725,549	68,566,751	193,097,627
Other financial liabilities (*2,3)	700,025	-	-	-	-	700,025
Other payables	50,674	-	-	-	-	50,674
Derivatives						
Derivatives held for trading						
Inflow of interest rate swap	766	140,178	74,302	167,754	126,390	509,390
Outflow of interest rate swap	(331)	(89,737)	(66,242)	(155,285)	(113,637)	(425,232)
Inflow of acquisition commitments	258	-	-	-	-	258
Outflow of acquisition commitments	(306,136)	-	-	-	-	(306,136)
Derivatives held for hedging						
Inflow of currency swap	714,008	303,697	3,801,707	9,204,363	476,272	14,500,047
Outflow of currency swap	(676,120)	(353,231)	(3,635,221)	(9,135,678)	(462,873)	(14,263,123)

(*1) Includes cash flows for both the principal and interest.
(*2) Excludes lease liabilities.
(*3) User rights and debt on obligation based on the employee benefits plan under KIFRS 1019 are excluded.

4.4 Market Risk

4.4.1 Overview of market risk

A. Definition of market risk

Market risk is the risk of possible losses which arise from changes in market factors, such as interest rate, stock price, foreign exchange rate and other market factors that affect the fair value of future cash flows of financial instruments, such as securities and derivative financial instruments amongst others. The most significant risks associated with trading positions are interest rate risks, and other risks include stock price risks and currency risks. In addition, the Group manages interest rate risks only which is the most significant risks associated with trading or non-trading positions.

B. Interest rate risk management

The purpose of the Group's interest rate risk management is to minimize uncertainty and volatility of profit or loss due to changes in interest rate.

C. Foreign exchange rate risk

The Group is exposed to foreign exchange rate risk in respect of the US dollar from investing activities. Foreign exchange rate risk arises from liabilities denominated in foreign currency. The foreign exchange rate risk is managed to the extent that it affects the cash flows of the Group.

(a) The carrying amounts of monetary liabilities denominated in foreign currencies other than the Group's functional currency as of December 31, 2024 and 2023 are as follows (USD in millions, BRL in millions, SGD in millions, EUR in millions, CHF in millions, AUD in millions, HKD in millions):

	As of December 31, 2024		As of December 31, 2023	
Financial liabilities				
Public bonds denominated in foreign currencies	USD	3,084	USD	1,787
Public bonds denominated in foreign currencies	BRL	2,180		-
Public bonds denominated in foreign currencies	SGD	300		-
Securitized liabilities denominated in foreign currencies	USD	610	USD	609
Securitized liabilities denominated in foreign currencies	EUR	7,043	EUR	6,393
Securitized liabilities denominated in foreign currencies	CHF	913	CHF	564
Securitized liabilities denominated in foreign currencies	AUD	320	AUD	319
Securitized liabilities denominated in foreign currencies	HKD	1,498		-

(b) The sensitivity analysis of foreign exchange risk for each of the two years in the period ended December 31, 2024 is as follows (Korean won in millions):

	For the year ended December 31, 2024		For the year ended December 31, 2023	
	10% appreciation	10% depreciation	10% appreciation	10% depreciation
Increase (decrease) in profit before income taxes	₩ (1,913,863)	₩ 1,913,863	₩ (1,338,191)	₩ 1,338,191

4.5 Capital management

The Group complies with the capital adequacy standard established by the Financial Services Commission. The capital adequacy standard is based on Regulation on Supervision of Korea Housing Finance Corporation. The Group is required to maintain a minimum key capital of at least 6%.

5 Financial assets and liabilities

5.1 Classification and fair value

The fair value is the amount for which an asset could be exchanged, or a liability could be settled, between knowledgeable, willing parties in an arm's length transaction. For each class of financial assets and financial liabilities, the Group discloses the fair value of that class of assets and liabilities in a way that permits it to be compared with its carrying amount at the end of each reporting period. The best evidence of fair value of financial instruments is a quoted price in an active market.

5.1.1 Methods of determining fair value for instruments are as follows:

Cash and due from bank	Carrying amount is regarded as reasonable approximation of fair value as due from banks mostly consist of short-term deposits.
Loan receivables	Fair value is determined by discounting the expected cash inflow at discount rate considering market rate, the borrower's credit risk and others.
Investment securities	Fair value is determined as an average closing price at the settlement date that is provided by NICE Pricing & Information, KIS Corporation and FnPricing.
Derivatives	For exchange traded derivatives, quoted price in an active market is used to determine fair value and for OTC derivatives, fair value is determined using valuation techniques. The bank use internally developed valuation models that are widely used by market participants to determine fair values of plain vanilla OTC derivatives including options, interest rate swaps, and currency swaps, based on observable market parameters. However, some complex financial instruments are valued using appropriate models developed from generally accepted market valuation models.
Debts, securitized liabilities and financial guarantee contract liabilities	Fair value is determined by discounting the expected contractual cash flow at appropriate discount rate using DCF model.
Other financial assets, Other payables, lease liabilities, Other financial liabilities	Its book value is measured at amortized cost, fair value is used to estimate the book value because the maturity is short or the difference between book value and fair value is not significant.

5.1.2 The carrying amounts and fair values of financial assets and liabilities as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	As of December 31, 2024		As of December 31, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and due from banks	₩ 10,619,226	₩ 10,619,226	₩ 6,138,729	₩ 6,138,729
Derivative financial assets held for trading	6,217	6,217	55,013	55,013
Derivative financial assets held for hedging	1,720,496	1,720,496	411,849	411,849
Loan receivables at AC	175,283,174	162,363,351	179,551,467	156,531,796
Securities at FVPL	1,107,656	1,107,656	241,899	241,899
Securities at FVOCI	1,814,242	1,814,242	1,725,556	1,725,556
Other financial assets	541,200	541,200	478,731	478,731
	₩ 191,092,211	₩ 178,172,388	₩ 188,603,244	₩ 165,583,573
Financial liabilities				
Derivative financial liabilities held for trading	₩ 97,252	₩ 97,252	₩ 370,059	₩ 370,059
Derivative financial liabilities held for hedging	50,023	50,023	54,994	54,994
Borrowings	-	-	200,000	200,000
Public bonds issued	22,587,839	22,584,169	16,252,752	16,270,586
Securitized liabilities	162,845,207	161,478,836	166,573,460	162,315,467
Other payables	45,348	45,348	50,674	50,674
Lease liabilities	16,607	16,607	16,434	16,434
Other financial liabilities(*)	798,766	798,766	700,025	700,025
	₩ 186,441,042	₩ 185,071,001	₩ 184,218,398	₩ 179,978,239

(*) User rights and debt on obligation based on the employee benefits plan under KIFRS 1019 are excluded.

5.1.3 Fair value hierarchy

The Group believes that valuation methods used for measuring the fair values of financial instruments are reasonable and that the fair values recognized in the consolidated statements of financial position are appropriate. However, the fair values of the financial instruments recognized in the consolidated statements of financial position may be different if other valuation methods or assumptions are used. Additionally, as there is a variety of valuation techniques and assumptions are used. Additionally, as there is a variety of valuation techniques and assumptions used in measuring fair value, it may be difficult to reasonably compare the fair value with that of other financial institutions.

The Group classifies and discloses fair value of the financial instruments into the following three level hierarchy:

Level 1: The fair values are based on quoted prices (unadjusted) in active markets for identical assets of liabilities that the entity can access at the measurement date. The Group has no financial instruments classified in Level 1.

Level 2: The fair values are based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The Group classified securities at FVOCI, swap and other as Level 2.

Level 3: The fair values are based on unobservable inputs for the asset or liability. The Group classified derivatives for acquisition commitments as Level 3.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety shall be determined on a basis of the lowest level input that is significant to the fair

value measurement in its entirety. For this purpose, the significance of an input is assessed against the require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

5.1.3 Fair value hierarchy (cont'd)

The fair value hierarchy of financial assets or liabilities measured at fair value in the consolidated statements of financial position as of December 31, 2024 and 2023 is as follows (Korean won in millions):

	As of December 31, 2024			
	Classification			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets				
Derivative financial assets held for trading	₩ -	₩ 4,369	₩ 1,848	₩ 6,217
Derivative financial assets held for hedging	-	1,720,496	-	1,720,496
Securities at FVPL	-	1,107,656	-	1,107,656
Securities at FVOCI	349,291	1,309,896	155,055	1,814,242
	349,291	4,142,417	156,903	4,648,611
Financial liabilities				
Derivative financial liabilities held for trading	-	52,144	45,108	97,252
Derivative financial liabilities held for hedging	-	50,023	-	50,023
	-	102,167	45,108	147,275
Disclosed fair value				
Cash and due from banks	-	10,619,226	-	10,619,226
Loan receivables	-	-	162,363,351	162,363,351
Other financial assets	-	-	541,200	541,200
Borrowings	-	-	-	-
Public bonds issued	-	17,210,000	5,374,169	22,584,169
Securitized liabilities	-	-	161,478,836	161,478,836
Other payables	-	-	45,348	45,348
Lease liabilities	-	-	16,607	16,607
Other financial liabilities**(*)**	-	-	798,766	798,766
	-	27,829,226	330,618,277	358,447,503
	₩ 349,291	₩ 32,073,810	₩ 330,820,288	₩ 363,243,389

(*) User rights and debt on obligation based on the employee benefits plan under KIFRS 1019 are excluded.

	As of December 31, 2023			
	Classification			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Financial assets				
Derivative financial assets held for trading	₩ -	₩ 54,755	₩ 258	₩ 55,013
Derivative financial assets held for hedging	-	411,849	-	411,849
Securities at FVPL	-	241,899	-	241,899
Securities at FVOCI	384,191	1,186,070	155,295	1,725,556
	384,191	1,894,573	155,553	2,434,317
Financial liabilities				
Derivative financial liabilities held for trading	-	63,922	306,137	370,059
Derivative financial liabilities held for hedging	-	54,994	-	54,994
	-	118,916	306,137	425,053
Disclosed fair value				
Cash and due from banks	-	6,138,729	-	6,138,729
oan receivables	-	-	156,531,796	156,531,796

	As of December 31, 2023			
	Classification			
	Level 1	Level 2	Level 3	Total
Other financial assets	-	-	478,731	478,731
Borrowings	-	200,000	-	200,000
Public bonds issued	-	13,950,000	2,320,586	16,270,586
Securitized liabilities	-	-	162,315,467	162,315,467
Other payables	-	-	50,674	50,674
Lease liabilities	-	-	16,434	16,434
Other financial liabilities(*)	-	-	700,025	700,025
	-	20,288,729	322,413,713	342,702,442
	₩ 384,191	₩ 22,302,218	₩ 322,875,403	₩ 345,561,812

(*) User rights and debt on obligation based on the employee benefits plan under KIFRS 1019 are excluded.

5.2 Disclosure of fair value level 3

5.2.1. Changes in financial instruments that are categorized within level 3 for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	For the year ended December 31, 2024	For the year ended December 31, 2023
Derivatives for acquisition commitments		
Beginning, net	₩ (305,879)	₩ (264,419)
Total profit or loss		
Amount recognized in profit or loss	22,315	(275,590)
Others(*)	240,304	234,130
Ending, net	₩ (43,260)	₩ (305,879)
Securities at FVOCI		
Beginning	₩ 155,295	₩ 155,385
Valuation	(240)	(90)
Ending	₩ 155,055	₩ 155,295

(*) This applies to changes due to transfer, early repayment, refusal of transfer, etc.

5.2.2 Sensitivity analysis of changes in unobservable inputs

A. Fair value measurements using unobservable inputs as of December 31, 2024 are as follows (Korean won in millions):

	As of December 31, 2024				
	Fair value	Valuation method	Input	Unobservable input	Range of unobservable input (%)
Financial assets Acquisition commitments	₩ (43,260)	Discounted cash flow method	Interest rate on government bonds, Extension spread	Extension spread	1.28
Korea Expressway Corporation	₩155,055	Net asset value method	Net asset value	Net asset value	-

B. Sensitivity analysis of changes in unobservable inputs

Sensitivity analysis of financial instruments is performed to measure favorable and unfavorable changes in the fair value of financial instruments which are affected by unobservable parameters, using a statistical technique. When the fair value is affected by more than two input parameters, the amounts represent the most favorable or unfavorable.

Financial instruments subject to sensitivity analysis are derivatives for acquisition commitments and equity securities of which changes in fair value are recognized as other comprehensive income, which are classified as level 3.

The results of the sensitivity analysis by the changes in inputs of each financial instruments as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	As of December 31, 2024			
	Favorable changes		Unfavorable changes	
	Profit or loss	OCI	Profit or loss	OCI
Derivative financial instruments (*1)	₩ 161,492	₩ -	₩ (150,705)	₩ -
Financial assets at FVOCI (*2)	-	-	-	-

(*1) The change in fair value is calculated by increasing or decreasing the additional spread interest rate, a major unobservable input variable, by 100 bp
(*2) Financial assets at fair value through other comprehensive income (Korea Expressway Corporation's shares) are excluded from the list of calculations because it is practically impossible to calculate the sensitivity analysis by the changes in inputs.

	As of December 31, 2023			
	Favorable changes		Unfavorable changes	
	Profit or loss	OCI	Profit or loss	OCI
Derivative financial instruments (*1)	₩ 591,978	₩ -	₩ (554,675)	₩ -
Securities at FVOCI (*2)	-	-	-	-

(*1) The change in fair value is calculated by increasing or decreasing the additional spread interest rate, a major unobservable input variable, by 100 bp.
(*2) Financial assets at fair value through other comprehensive income (Korea Expressway Corporation's shares) are excluded from the list of calculations because it is practically impossible to calculate the sensitivity analysis by the changes in inputs.

5.3 Financial Instruments by category

Financial assets and liabilities are measured at fair value or amortized cost. Measurement policies for each class of financial assets and liabilities are disclosed in above in Note 5.1 Classification and fair value. The carrying amounts of financial assets and liabilities by category as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	As of December 2024				
	Financial assets at FVPL	Financial assets at FVOCI	Financial assets at AC	Derivative financial assets held for hedging	Total
Financial assets					
Cash and due from banks	₩ -	₩ -	₩ 10,619,226	₩ -	₩ 10,619,226
Securities at FVPL	1,107,656	-	-	-	1,107,656
Securities at FVOCI	-	1,814,242	-	-	1,814,242
Derivative financial assets	6,217	-	-	1,720,496	1,726,713
Loan receivables	-	-	175,283,174	-	175,283,174
Other financial assets	-	-	541,200	-	541,200
	₩ 1,113,873	₩ 1,814,242	₩ 186,443,600	₩ 1,720,496	₩ 191,092,211

	As of December 31, 2024			
	Financial liabilities at FVPL	Financial liabilities at AC	Derivative financial liabilities held for hedging	Total
Financial liabilities				
Borrowings	₩ -	₩ -	₩ -	₩ -
Public bonds issued	-	22,587,839	-	22,587,839
Securitized liabilities	-	162,845,207	-	162,845,207
Derivative financial liabilities	97,252	-	50,023	147,275
Other payables	-	45,348	-	45,348
Lease liabilities(*1)	-	16,607	-	16,607
Other financial liabilities(*2)	-	798,766	-	798,766
	₩ 97,252	₩ 186,293,767	₩ 50,023	₩ 186,441,042

(*1) They refer to liabilities based on the definition described in KIFRS 1116.
(*2) User rights and debt on obligation based on the employee benefits plan under KIFRS 1019 are excluded.

	As of December 31, 2023				
	Financial assets at FVPL	Financial assets at FVOCI	Financial assets at AC	Derivative financial assets held for hedging	Total
Financial assets					
Cash and due from banks	₩ -	₩ -	₩ 6,138,729	₩ -	₩ 6,138,729
Securities at FVPL	241,899	-	-	-	241,899
Securities at FVOCI	-	1,725,556	-	-	1,725,556
Derivative financial assets	55,013	-	-	411,849	466,862
Loan receivables	-	-	179,551,467	-	179,551,467
Other financial assets	-	-	478,731	-	478,731
	₩ 296,912	₩ 1,725,556	₩ 186,168,927	₩ 411,849	₩ 188,603,244

	As of December 31, 2023			
	Financial liabilities at FVPL	Financial liabilities at AC	Derivative financial liabilities held for hedging	Total
Financial liabilities				
Borrowings	₩ -	₩ 200,000	₩ -	₩ 200,000
Public bonds issued	-	16,252,752	-	16,252,752
Securitized liabilities	-	166,573,460	-	166,573,460
Derivative financial liabilities	370,059	-	54,994	425,053
Other payables	-	50,674	-	50,674
Lease liabilities (*1)	-	16,434	-	16,434
Other financial liabilities (*2)	-	700,025	-	700,025
	₩ 370,059	₩ 183,793,345	₩ 54,994	₩ 184,218,398

(*1) They refer to liabilities based on the definition described in KIFRS 1116.
(*2) User rights and debt on obligation based on the employee benefits plan under KIFRS 1019 are excluded.

6 Cash and due from banks

Cash and due from banks as of December 31, 2024 and 2023 are as follows (Korean won in millions):

		Financial institutions	Interest rate (%)	As of December 31, 2024	As of December 31, 2023
Cash and cash equivalents	Ordinary deposits	Kookmin Bank and others	0.01~3.65	₩ 269,505	₩ 28,377
	Corporation deposits	Hana Bank	0.10~1.73	11,321	14,819
				280,826	43,196
Due from banks in Korean won	Time deposits	Hana Bank and others	2.98 ~ 4.55	7,210,366	2,255,915
	Certificate of deposits	Woori Bank and others	3.50 ~ 4.58	3,128,034	3,839,618
				10,338,400	6,095,533
				₩ 10,619,226	₩ 6,138,729

7 Securities at fair value through profit or loss

7.1 Securities at fair value through profit or loss as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	As of December 31, 2024	As of December 31, 2023
Beneficiary securities	₩ 964,616	₩ 223,204
Other corporate bonds	143,039	18,695
	₩ 1,107,655	₩ 241,899

7.2 Amounts recognized in profit or loss related to securities at fair value through profit or loss for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	For the year ended December 31, 2024	For the year ended December 31, 2023
Gain on disposal of securities at fair value through profit or loss	₩ 37,449	₩ 55,047
Gain on valuation of securities at fair value through profit or loss	3,517	643
	₩ 40,966	₩ 55,690

8 Securities at fair value through other comprehensive income

8.1 Details of securities at fair value through other comprehensive income as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	As of December 31, 2024	As of December 31, 2023
Debt securities		
Government bonds	₩ 299,178	₩ 334,111
Public bonds	383,372	222,356
Provincial bonds	10,245	30,126
Finance bonds	835,720	873,973
Other corporate bonds	130,672	109,695
	1,659,187	1,570,261
Equity securities(*)		
Unlisted shares	155,055	155,295
	155,055	155,295
	₩ 1,814,242	₩ 1,725,556

(*) A group has exercised the fair value option for equity securities designated as fair value through other comprehensive income (OCI) measurement items due to policy reasons such as holding requirements.

8.2 Changes in securities at fair value through other comprehensive income for each of the two years in the period ended December 31, 2024 and 2023 as follows (Korean won in millions):

	For the year ended December 31, 2024					
	Beginning	Acquisition	Disposals	Valuation	Others	Ending
Unlisted equity securities	₩155,295	₩ -	₩ -	₩ (240)	₩ -	₩155,055
Debt securities	1,570,261	300,320	(219,276)	6,616	1,266	1,659,187
	1,725,556	300,320	(219,276)	6,376	1,266	1,814,242

	For the year ended December 31, 2023					
	Beginning	Acquisition	Disposals	Valuation	Others	Ending
Unlisted equity securities	₩155,385	₩ -	₩ -	₩ (90)	₩ -	₩ 155,295
Debt securities	781,093	1,301,323	(531,403)	19,740	(492)	1,570,261
	936,478	1,301,323	(531,403)	19,650	(492)	1,725,556

8.3 Changes in accumulated gains (losses) on securities at fair value through other comprehensive income for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	For the year ended December 31, 2024	For the year ended December 31, 2023
Beginning balance	₩ 9,782	₩ (11,013)
Other comprehensive income	6,376	19,650
Reclassification to profit	1,081	8,054
Tax effect	(1,722)	(6,909)
Ending balance	₩ 15,517	₩ 9,782

8.4 There was no impairment loss or reversal of impairment loss on securities at fair value through other comprehensive income incurred for the year ended December 31, 2024.

8.5 As of December 31, 2024, ₩58,500 million (₩86,000 million as of December 31, 2023) out of the above securities is provided as trading margin collaterals to financial institutions (Kyobo Securities Co., Ltd. and others).

8.6 The amount provided as collateral for repurchase agreement transaction purposes is ₩106,100 million as of December 31, 2023 (no amounts as of December 31, 2024).

9 Derivative financial instruments and hedge accounting

The Group's derivative transactions focus on hedging the Group's risk. The Group also engages in derivative trading activities to hedge the interest rate and foreign currency risk exposures that arise from the Group's own assets and liabilities.

The Group provides and trades a range of derivative products, including:

- interest rate swaps, interest rate futures and acquisition commitments relating to interest rate risks in Korean won; and
- currency swaps relating to foreign exchange rates of financial debentures in foreign currencies.

In particular, the Group uses currency swaps to hedge the risk of changes in cash flow due to changes in interest rates and foreign exchange rates of financial bonds in foreign currencies.

9.1 Details of derivatives as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	As of December 31, 2024	As of December 31, 2023
Derivative financial assets		
Interest rate swaps	₩ 4,369	₩ 54,755
Currency swaps	1,720,496	411,849
Acquisition commitments	1,848	258
	₩ 1,726,713	₩ 466,862
Derivative financial liabilities		
Interest rate swaps	₩ 52,144	₩ 63,923
Currency swaps	50,023	54,994
Acquisition commitments	45,107	306,136
	₩ 147,274	₩ 425,053

9.2 Details of currency swap contracts for cash flow hedge as of December 31, 2024 and 2023 are as follows (Korean won in millions, USD in millions, EUR in millions, CHF in millions AUD in millions, BRL in millions, HKD in millions, SGD in millions):

	As of December 31, 2024					
		Contractual amounts		Contractual interest rate (%)		
	Contractual period	Sold (USD)	Purchased (KRW)	Sold	Purchased	Contractual exchange rate
KB Kookmin Bank	Dec.16, 2022 ~ Nov.16, 2025	50	66,100	4.956	3.919	1,322.00
Hana Bank	Dec.16, 2022 ~ Nov.16, 2025	150	198,300	4.956	3.98	1,322.00
KB Kookmin Bank	Feb.24,2023 ~ Feb. 24, 2028	100	128,500	4.749	3.734	1,285.00
JP	Feb.24,2023 ~ Feb. 24, 2028	200	257,000	4.749	3.755	1,285.00
Korea Development Bank	Feb.24,2023 ~ Feb. 24, 2028	250	321,250	4.749	3.763	1,285.00
Hana Bank	Feb.24,2023 ~ Feb. 24, 2028	200	257,000	4.749	3.823	1,285.00
Industrial Bank of Korea	Feb.24,2023 ~ Feb. 24, 2028	200	257,000	4.749	3.835	1,285.00
ING Bank	Feb.24,2023 ~ Feb. 24, 2028	50	64,250	4.749	3.858	1,285.00
Hana Bank	Feb.24,2023 ~ Feb. 24, 2033	100	128,500	4.708	3.977	1,285.00
JP	Feb.24,2023 ~ Feb. 24, 2033	100	128,500	4.708	3.993	1,285.00
NOMURA	Feb.24,2023 ~ Feb. 24, 2033	50	64,250	4.708	4.030	1,285.00
Korea Development Bank	Feb.24,2023 ~ Feb. 24, 2033	50	64,250	4.708	4.115	1,285.00
ING Bank	June. 22, 2023~ June. 22, 2026	100	128,100	5.222	3.880	1,281.00
Hana Bank	July.28,2023 ~ July.28, 2028	100	128,000	Compounded Daily SOFR + 1.0	4.113	1,280.00
Hana Bank	Aug. 08, 2023~ June.30, 2026	100	128,400	5.327	3.877	1,284.00
Korea Development Bank	Aug. 08, 2023~ June.30, 2026	110	141,240	5.327	3.920	1,284.00
KB Kookmin Bank	Nov. 15, 2023~ Nov. 15, 2026	50	65,550	5.375	4.093	1,311.00
Hana Bank	Nov. 15, 2023~ Nov. 15, 2026	100	131,100	5.375	4.095	1,311.00
Korea Development Bank	Nov. 15, 2023~ Nov. 15, 2026	200	262,200	5.375	4.120	1,311.00
ING Bank	Nov. 15, 2023~ Nov. 15, 2026	100	131,100	5.375	4.171	1,311.00
BOA	Nov. 15, 2023~ Nov. 15, 2026	50	65,550	5.375	4.212	1,311.00
Korea Development Bank	Feb. 27, 2024 ~ Aug. 27, 2027	500	669,000	4.875	3.485	1,338.00

	As of December 31, 2024					
		Contractual amounts		Contractual interest rate (%)		
	Contractual period	Sold (USD)	Purchased (KRW)	Sold	Purchased	Contractual exchange rate
Korea Development Bank	Sep. 12, 2024 ~ Mar. 12, 2028	400	534,400	4.125	3.018	1,336.00
Hana Bank	Sep.12, 2024 ~ Mar.12, 2028	100	133,600	4.125	3.017	1,336.00
Korea Development Bank	Nov.5, 2024 ~ Nov.5, 2029	200	274,000	Compounded Daily SOFR + 0.8300%	3.054	1,370.00
Hana Bank	Nov.5, 2024 ~ Nov.5, 2029	100	137,000	Compounded Daily SOFR + 0.8300%	3.040	1,370.00

	As of December 31, 2024					
		Contractual amounts		Contractual interest rate (%)		
	Contractual period	Sold (EUR)	Purchased (KRW)	Sold	Purchased	Contractual exchange rate
BNP Bank	Feb.5, 2020 ~ Feb.5, 2025	400	518,812	0.010	1.200	1,297.03
ING Bank	Feb.5, 2020 ~ Feb.5, 2025	300	389,109	0.010	1.192	1,297.03
Korea Development Bank	Feb.5, 2020 ~ Feb.5, 2025	300	389,109	0.010	1.196	1,297.03
Hana Bank	Jul.7, 2020 ~ Jul.7, 2025	200	270,000	0.010	0.522	1,350.00
BNP Bank	Jul.7, 2020 ~ Jul.7, 2025	100	135,000	0.010	0.540	1,350.00
Korea Development Bank	Jul.7, 2020 ~ Jul.7, 2025	200	270,000	0.010	0.545	1,350.00
ING Bank	Jun.29, 2021~ Jun.29, 2026	200	271,400	0.010	1.129	1,357.00
Korea Development Bank	Jun.29, 2021~ Jun.29, 2026	300	407,100	0.010	1.130	1,357.00
SC Bank	Jun.29, 2021 ~ Jun.29, 2026	200	271,400	0.010	1.127	1,357.00
BNP Bank	Jun.29, 2021 ~ Jun.29, 2026	300	407,100	0.010	1.119	1,357.00
BNP Bank	Oct.27, 2021 ~ Oct.27, 2028	100	136,700	0.258	1.709	1,367.00
KB Kookmin Bank	Oct.27, 2021 ~ Oct.27, 2028	100	136,700	0.258	1.709	1,367.00
Korea Development Bank	Oct.27, 2021 ~ Oct.27, 2028	200	273,400	0.258	1.690	1,367.00
Hana Bank	Oct.27, 2021 ~ Oct.27, 2028	100	136,700	0.258	1.692	1,367.00
SC Bank	Oct.27, 2021 ~ Oct.27, 2028	50	68,350	0.258	1.714	1,367.00
ING Bank	Mar.22, 2022 ~ Mar.22, 2025	100	135,700	0.723	1.987	1,357.00

	As of December 31, 2024					
		Contractual amounts		Contractual interest rate (%)		
	Contractual period	Sold (EUR)	Purchased (KRW)	Sold	Purchased	Contractual exchange rate
KB Kookmin Bank	Mar.22, 2022 ~ Mar.22, 2025	200	271,400	0.723	1.984	1,357.00
Korea Development Bank	Mar.22, 2022 ~ Mar.22, 2025	100	135,700	0.723	1.979	1,357.00

	As of December 31, 2024					
		Contractual amounts		Contractual interest rate (%)		
	Contractual period	Sold (EUR)	Purchased (KRW)	Sold	Purchased	Contractual exchange rate
Hana Bank	Mar.22, 2022 ~ Mar.22, 2025	200	271,400	0.723	1.975	1,297.03
Korea Development Bank	Jul.19, 2022 ~ Jul.19, 2026	200	264,200	1.963	3.192	1,321.00
BNP Bank	Jul.19, 2022 ~ Jul.19, 2026	100	132,100	1.963	3.208	1,321.00
Hana Bank	Jul.19, 2022 ~ Jul.19, 2026	200	264,200	1.963	3.21	1,321.00
KB Kookmin Bank	Apr. 11, 2023 ~ Apr. 11, 2027	50	70,400	3.714	3.728	1,408.00
SC Bank	Apr. 11, 2023 ~ Apr. 11, 2027	100	140,800	3.714	3.742	1,408.00
Industrial Bank of Korea	Apr. 11, 2023 ~ Apr. 11, 2027	200	281,600	3.714	3.744	1,408.00
ING Bank	Apr. 11, 2023 ~ Apr. 11, 2027	100	140,800	3.714	3.748	1,408.00
BNP Bank	Apr. 11, 2023 ~ Apr. 11, 2027	50	70,400	3.714	3.753	1,408.00
KB Kookmin Bank	Jul. 26, 2023 ~ Apr. 11, 2027	50	70,950	3.714	3.869	1,419.00
ING Bank	Jul. 26, 2023 ~ Apr. 11, 2027	50	70,950	3.714	3.878	1,419.00
BNP Bank	Jul. 26, 2023 ~ Apr. 11, 2027	50	70,950	3.714	3.911	1,419.00
KB Kookmin Bank	Sep. 25, 2023 ~ Sep. 25, 2027	100	141,900	4.082	4.362	1,419.00
Hana Bank	Sep. 25, 2023 ~ Sep. 25, 2027	200	283,800	4.082	4.384	1,419.00
BNP Bank	Sep. 25, 2023 ~ Sep. 25, 2027	100	141,900	4.082	4.396	1,419.00
Korea Development Bank	Sep. 25, 2023 ~ Sep. 25, 2027	200	283,800	4.082	4.410	1,419.00
SC Bank	Sep. 25, 2023 ~ Sep. 25, 2027	200	283,800	4.082	4.422	1,419.00
Industrial Bank of Korea	Sep. 25, 2023 ~ Sep. 25, 2027	200	283,800	4.082	4.438	1,419.00
Korea Development Bank	Dec. 07, 2023 ~ Sep. 25, 2027	100	142,800	4.082	4.215	1,428.00
Hana Bank	Mar.18, 2024 ~ Mar. 19, 2029	100	143,300	3.124	3.499	1,433.00
Korea Development Bank	Mar.18, 2024 ~ Mar. 19, 2029	300	429,900	3.124	3.510	1,433.00

BNP Bank	Mar.18, 2024 ~ Mar. 19, 2029	100	143,300	3.124	3.520	1,433.00
Industrial Bank of Korea	Oct. 02, 2024 ~ Jul. 02, 2028	100	148,600	2.733	3.035	1,486.00
ING Bank	Oct. 02, 2024 ~ Jul. 02, 2028	100	148,600	2.733	3.050	1,486.00
Korea Development Bank	Oct. 02, 2024 ~ Jul. 02, 2028	350	520,100	2.733	3.018	1,486.00
Hana Bank	Oct. 02, 2024 ~ Jul. 02, 2028	100	148,600	2.733	2.990	1,486.00

	As of December 31, 2024					
		Contractual amounts		Contractual interest rate (%)		
	Contractual period	Sold (CHF)	Purchased (KRW)	Sold	Purchased	Contractual exchange rate
Korea Development Bank	Oct.14, 2022 ~ Oct.14, 2025	160	231,360	2.155	4.186	1,446.00
Korea Development Bank	Oct.14, 2022 ~ Oct.14, 2027	140	202,440	2.465	4.522	1,446.00
BNP Bank	Feb.10, 2023 ~ Feb.10, 2026	165	221,100	1.815	3.887	1,340.00
BNP Bank	Feb.10, 2023 ~ Feb.10, 2028	100	134,000	1.893	4.079	1,340.00
Hana Bank	Feb.01, 2024 ~ Feb. 01, 2027	100	154,800	1.778	3.489	1,548.00
Korea Development Bank	Feb.01, 2024 ~ Feb. 01, 2027	100	154,800	1.778	3.498	1,548.00
Korea Development Bank	Feb.01, 2024 ~ Feb. 01, 2030	150	232,200	1.845	3.845	1,548.00

	As of December 31, 2024					
		Contractual amounts		Contractual interest rate (%)		
	Contractual period	Sold (AUD)	Purchased (KRW)	Sold	Purchased	Contractual exchange rate
Korea Development Bank	Apr. 06, 2023~ Apr. 06, 2026	120	104,400	BBSW 3M+1.05	3.610	870.00
Hana Bank	Apr. 06, 2023~ Apr. 06, 2026	100	87,000	4.475	3.660	870.00
Korea Development Bank	Apr. 06, 2023~ Apr. 06, 2026	100	87,000	4.475	3.678	870.00

	As of December 31, 2024					
		Contractual amounts		Contractual interest rate (%)		
	Contractual period	Sold (BRL)	Purchased (KRW)	Sold	Purchased	Contractual exchange rate
CITI Bank	Jul. 17, 2024~ Jul. 17, 2026	1,080	276,579	10.315	2.737	256.21
SC Bank	Oct. 16, 2024~ Oct. 16, 2026	1,100	268,147	10.325	2.560	243.77

	As of December 31, 2024					
		Contractual amounts		Contractual interest rate (%)		
	Contractual period	Sold (HKD)	Purchased (KRW)	Sold	Purchased	Contractual exchange rate
Korea Development Bank	Nov. 29, 2024 ~ Oct. 27, 2026	1,500	268,575	HIHD03M + 0.349	2.898	179.05

	As of December 31, 2024					
		Contractual amounts		Contractual interest rate (%)		
	Contractual period	Sold (SGD)	Purchased (KRW)	Sold	Purchased	Contractual exchange rate
UOB Bank	Nov. 27, 2024 ~ Nov. 25, 2026	300	312,126	3.033	3.055	1,040.42

	As of December 31, 2023					
		Contractual amounts		Contractual interest rate (%)		
	Contractual period	Sold (EUR)	Purchased (KRW)	Sold	Purchased	Contractual exchange rate
BNP Bank	Jun.18, 2019 ~ Jun.18, 2024	200	267,204	0.100	1.225	1,336.02
Korea Development Bank	Jun.18, 2019 ~ Jun.18, 2024	200	267,204	0.100	1.205	1,336.02
Hana Bank	Jun.18, 2019 ~ Jun.18, 2024	100	133,602	0.100	1.210	1,336.02
BNP Bank	Feb.5, 2020 ~ Feb.5, 2025	400	518,812	0.010	1.200	1,297.03
ING Bank	Feb.5, 2020 ~ Feb.5, 2025	300	389,109	0.010	1.192	1,297.03
Korea Development Bank	Feb.5, 2020 ~ Feb.5, 2025	300	389,109	0.010	1.196	1,297.03
Hana Bank	Jul.7, 2020 ~ Jul.7, 2025	200	270,000	0.010	0.522	1,350.00
BNP Bank	Jul.7, 2020 ~ Jul.7, 2025	100	135,000	0.010	0.540	1,350.00
Korea Development Bank	Jul.7, 2020 ~ Jul.7, 2025	200	270,000	0.010	0.545	1,350.00
ING Bank	Jun.29, 2021~ Jun.29, 2026	200	271,400	0.010	1.129	1,357.00
Korea Development Bank	Jun.29, 2021~ Jun.29, 2026	300	407,100	0.010	1.130	1,357.00
SC Bank	Jun.29, 2021 ~ Jun.29, 2026	200	271,400	0.010	1.127	1,357.00
BNP Bank	Jun.29, 2021 ~ Jun.29, 2026	300	407,100	0.010	1.119	1,357.00
BNP Bank	Oct.27, 2021 ~ Oct.27, 2028	100	136,700	0.258	1.709	1,367.00
KB Kookmin Bank	Oct.27, 2021 ~ Oct.27, 2028	100	136,700	0.258	1.709	1,367.00
Korea Development Bank	Oct.27, 2021 ~ Oct.27, 2028	200	273,400	0.258	1.690	1,367.00

	As of December 31, 2023					
		Contractual amounts		Contractual interest rate (%)		
	Contractual period	Sold (EUR)	Purchased (KRW)	Sold	Purchased	Contractual exchange rate
Hana Bank	Oct.27, 2021 ~ Oct.27, 2028	100	136,700	0.258	1.692	1,367.00
SC Bank	Oct.27, 2021 ~ Oct.27, 2028	50	68,350	0.258	1.714	1,367.00
ING Bank	Mar.22, 2022 ~ Mar.22, 2025	100	135,700	0.723	1.987	1,357.00
KB Kookmin Bank	Mar.22, 2022 ~ Mar.22, 2025	200	271,400	0.723	1.984	1,357.00
Korea Development Bank	Mar.22, 2022 ~ Mar.22, 2025	100	135,700	0.723	1.979	1,357.00
Hana Bank	Mar.22, 2022 ~ Mar.22, 2025	200	271,400	0.723	1.975	1,357.00
Korea Development Bank	Jul.19, 2022 ~ Jul.19, 2026	200	264,200	1.963	3.192	1,321.00
BNP Bank	Jul.19, 2022 ~ Jul.19, 2026	100	132,100	1.963	3.208	1,321.00
Hana Bank	Jul.19, 2022 ~ Jul.19, 2026	200	264,200	1.963	3.210	1,321.00
KB Kookmin Bank	Apr.11, 2023~ Apr.11, 2027	50	70,400	3.714	3.728	1,408.00
SC Bank	Apr.11, 2023~ Apr.11, 2027	100	140,800	3.714	3.742	1,408.00
Industrial Bank of Korea	Apr.11, 2023~ Apr.11, 2027	200	281,600	3.714	3.744	1,408.00
ING Bank	Apr.11, 2023~ Apr.11, 2027	100	140,800	3.714	3.748	1,408.00
BNP Bank	Apr.11, 2023~ Apr.11, 2027	50	70,400	3.714	3.753	1,408.00
KB Kookmin Bank	Jul.26, 2023~ Apr.11, 2027	50	70,950	3.714	3.869	1,419.00
ING Bank	Jul.26, 2023~ Apr.11, 2027	50	70,950	3.714	3.878	1,419.00
BNP Bank	Jul.26, 2023~ Apr.11, 2027	50	70,950	3.714	3.911	1,419.00
KB Kookmin Bank	Sep.25, 2023~ Sep.25, 2027	100	141,900	4.082	4.362	1,419.00
Hana Bank	Sep.25, 2023~ Sep.25, 2027	200	283,800	4.082	4.384	1,419.00
BNP Bank	Sep.25, 2023~ Sep.25, 2027	100	141,900	4.082	4.396	1,419.00
Korea Development Bank	Sep.25, 2023~ Sep.25, 2027	200	283,800	4.082	4.410	1,419.00
SC Bank	Sep.25, 2023~ Sep.25, 2027	200	283,800	4.082	4.422	1,419.00
Industrial Bank of Korea	Sep.25, 2023~ Sep.25, 2027	200	283,800	4.082	4.438	1,419.00
Korea Development Bank	Dec.07, 2023~ Sep.25, 2027	100	142,800	4.082	4.215	1,428.00

	As of December 31, 2023					
		Contractual amounts		Contractual interest rate (%)		
	Contractual period	Sold (CHF)	Purchased (KRW)	Sold	Purchased	Contractual exchange rate
Korea Development Bank	Oct.14, 2022~ Oct.14, 2025	160	231,360	2.155	4.186	1,446.00
Korea Development Bank	Oct.14, 2022~ Oct.14, 2027	140	202,440	2.465	4.522	1,446.00
BNP Bank	Feb.10, 2023~ Feb.10, 2026	165	221,100	1.815	3.887	1,340.00
BNP Bank	Feb.10, 2023~ Feb.10, 2028	100	134,000	1.893	4.079	1,340.00

	As of December 31, 2023					
		Contractual amounts		Contractual interest rate (%)		
	Contractual period	Sold (AUD)	Purchased (KRW)	Sold	Purchased	Contractual exchange rate
Korea Development Bank	Apr.06, 2023~ Apr.06, 2026	120	104,400	BBSW 3M+1.05	3.610	870.00
Hana Bank	Apr.06, 2023~ Apr.06, 2026	100	87,000	4.475	3.660	870.00
Industrial Bank of Korea	Apr.06, 2023~ Apr.06, 2026	100	87,000	4.475	3.678	870.00

9.3 Gains and losses arising from derivatives for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	Gains (losses) on valuation		Gains (losses) on transactions		Changes in accumulated OCI	
	For the year ended December 31, 2024	For the year ended December 31, 2023	For the year ended December 31, 2024	For the year ended December 31, 2023	For the year ended December 31, 2024	For the year ended December 31, 2023
Currency swap	₩ 1,372,386	₩ 469,617	₩ (45,285)	₩ (26,795)	₩ (10,367)	₩ 26,426
Interest rate swap	(14,063)	(100,801)	(4,644)	77,515	-	-
Acquisition commitments	22,315	(275,590)	82,194	45,250	-	-
Government bond futures (*1)	-	-	(4,564)	(24,257)	-	-
	₩ 1,380,638	₩ 93,226	₩ 27,701	₩ 71,713	₩ (10,367)	₩ 26,426

(*1) The contractual amount related to futures is ₩ 613,238 million as of December 31, 2024 (₩1,120,476 million as of December 31, 2023). Futures transactions are settled daily and reflected in deposits.

9.4 Accumulated gains and losses from hedging instruments and hedge items attributable to the hedged risk are as follows (Korean won in millions):

	For the year ended December 31, 2024	For the year ended December 31, 2023
Accumulated gains from hedging instruments	₩ 1,823,329	₩ 496,229
Accumulated losses from hedged items attributable to the hedged risk	(1,823,329)	(496,229)

9.5 As of December 31, 2024 and 2023, details of the cash flow hedge and the changes in fair value for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	Cash flow hedge reserve		Change in fair value	
	For the year ended December 31, 2024	For the year ended December 31, 2023	For the year ended December 31, 2024	For the year ended December 31, 2023
Foreign exchange risk	₩ (117,546)	₩ (107,179)	₩ (1,372,386)	₩ (469,618)

9.6 The periods when cash flows are expected to occur and when they are expected to affect profit or losses are a maximum of 9 years.

10 Loan receivables at amortized costs

10.1 Details of loan receivables at amortized costs as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	As of December 31, 2024				
	Loans	Present value premium (discount)	Allowance for doubtful accounts	Deferred loan origination fees and costs	Book amount
Purchased mortgage-backed loans	₩ 14,721,665	₩ (112,866)	₩ (25,054)	₩ 69,359	₩ 14,653,104
Mortgage-backed loans by trust	160,789,569	(371,833)	(188,153)	388,151	160,617,734
Student loan-backed securities	14,951	(92)	(2,523)	-	12,336
	₩ 175,526,185	₩ (484,791)	₩ (215,730)	₩ 457,510	₩ 175,283,174

	As of December 31, 2023				
	Loans	Present value premium (discount)	Allowance for doubtful accounts	Deferred loan origination fees and costs	Book amount
Purchased mortgage-backed loans	₩ 14,111,105	₩ (111,072)	₩ (18,031)	₩ 59,168	₩ 14,041,170
Mortgage-backed loans by trust	165,554,688	(405,715)	(136,647)	478,922	165,491,248
Student loan-backed securities	22,497	(195)	(3,253)	-	19,049
	₩ 179,688,290	₩ (516,982)	₩ (157,931)	₩ 538,090	₩ 179,551,467

10.2 Changes in deferred loan origination fees and costs for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	For the year ended December 31, 2024			
	Beginning	Increase	Decrease	Ending
Loan receivables in Korean won	₩ 538,090	₩ 161,532	₩ (242,112)	₩ 457,510

	For the year ended December 31, 2023			
	Beginning	Increase	Decrease	Ending
Loan receivables in Korean won	₩ 507,008	₩ 242,541	₩ (211,459)	₩ 538,090

10.3 Changes in present value premiums (discounts) for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	For the year ended December 31, 2024			
	Beginning	Increase	Decrease	Ending
Present value premium (discount) Loan receivables in Korean won	₩ (516,982)	₩ (158,052)	₩ 190,243	₩ (484,791)

	For the year ended December 31, 2023			
	Beginning	Increase	Decrease	Ending
Present value premium (discount) Loan receivables in Korean won	₩ (473,163)	₩ (188,750)	₩ 144,931	₩ (516,982)

10.4 The Group issued the mortgage-backed bonds thirty-four times since July 15, 2010. As a result, the Group issued purchased mortgage-backed loans and provided mortgage backed loans amounting to ₩14,403,096 million as collaterals as of December 31, 2024 (₩13,094,278 million as of December 31, 2023). In addition, as of December 31, 2024, the Group has provided ₩160,789,569 million as underlying assets for mortgage-backed loans (₩165,554,688 million as of December 31, 2023).

11 Allowance for doubtful accounts on loan receivables

11.1 Changes in allowance for doubtful accounts on loan receivables for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	For the year ended December 31, 2024			
		Lifetime expected credit loss		
	12-month expected credit loss	Unrecognized impairment	Recognized impairment	Total
Balance as of Jan 1, 2024	₩ 6,241	₩ 107,783	₩ 43,907	₩ 157,931
Changes due to significant increases in credit risk				
Transfer to 12-month expected credit losses	28,468	(27,941)	(527)	-
Transfer to expected credit losses unrecognized for impairment	(760)	2,662	(1,902)	-
Transfer to expected credit losses recognized for impairment	(29)	(3,546)	3,575	-
	27,679	(28,825)	1,146	-
Impairment loss (reversal)	(26,534)	75,244	20,563	69,273
Recognized interest income	-	-	(9,286)	(9,286)
Write-off	-	-	(2,191)	(2,191)
Others	-	-	3	3
Balance as of Dec 31, 2024	₩ 7,386	₩ 154,202	₩ 54,142	₩ 215,730

	For the year ended December 31, 2023			
		Lifetime expected credit loss		
	12-month expected credit loss	Unrecognized impairment	Recognized impairment	Total
Balance as of Jan 1, 2023	₩ 6,000	₩ 98,367	₩ 39,255	₩ 143,622
Changes due to significant increases in credit risk				
Transfer to 12-month expected credit losses	21,702	(21,450)	(252)	-
Transfer to expected credit losses unrecognized for impairment	(659)	1,583	(924)	-
Transfer to expected credit losses recognized for impairment	(21)	(3,253)	3,274	-
	21,022	(23,120)	2,098	-
Impairment loss (reversal)	(20,781)	32,536	13,741	25,496
Recognized interest income	-	-	(5,812)	(5,812)
Write-off	-	-	(5,461)	(5,461)
Others	-	-	86	86
Balance as of Dec 31, 2023	₩ 6,241	₩ 107,783	₩ 43,907	₩ 157,931

11.2 Changes in the total book amount that had a significant impact on changes in allowance for doubtful accounts on loan receivables for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	For the year ended December 31, 2024			
		Lifetime expected credit loss		
	12-month expected credit loss	Unrecognized impairment	Recognized impairment	Total
Balance as of Jan 1, 2024	₩ 162,229,191	₩ 17,021,530	₩ 437,569	₩ 179,688,290
Changes due to significant increases in credit risk				
Transfer to 12-month expected credit losses	5,075,997	(5,065,742)	(10,255)	-
Transfer to expected credit losses unrecognized for impairment	(6,411,044)	6,446,999	(35,955)	-
Transfer to expected credit losses recognized for impairment	(77,973)	(282,910)	360,883	-
	(1,413,020)	1,098,347	314,673	-
Loans and repayments	(2,627,251)	(1,368,250)	(164,414)	(4,159,915)
Foreign currency translation and others	-	-	(2,190)	(2,190)
Balance as of Dec 31, 2024	₩ 158,188,920	₩ 16,751,627	₩ 585,638	₩ 175,526,185

	For the year ended December 31, 2023			
		Lifetime expected credit loss		
	12-month expected credit loss	Unrecognized impairment	Recognized impairment	Total
Balance as of Jan 1, 2023	₩ 139,636,363	₩ 16,153,096	₩ 261,796	₩ 156,051,255
Changes due to significant increases in credit risk				
Transfer to 12-month expected credit losses	4,464,645	(4,459,131)	(5,514)	-
Transfer to expected credit losses unrecognized for impairment	(5,796,370)	5,816,324	(19,954)	-
Transfer to expected credit losses recognized for impairment	(57,998)	(228,698)	286,696	-
	(1,389,723)	1,128,495	261,228	-
Loans and repayments	23,982,551	(260,061)	(85,455)	23,637,035
Foreign currency translation and others	-	-	-	-
Balance as of Dec 31, 2023	₩ 162,229,191	₩ 17,021,530	₩ 437,569	₩ 179,688,290

11.3 The coverage ratio of allowance for doubtful accounts on loan receivables at amortized costs as of December 31, 2024 and 2023 is as follows (Korean won in millions):

	As of December 31, 2024	As of December 31, 2023
Loan receivables	₩ 175,526,185	₩ 179,688,290
Allowance for doubtful accounts	(215,730)	(157,931)
Coverage ratio	0.12%	0.09%

12 Property and equipment

12.1 Details of property and equipment as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	As of December 31, 2024			
Category (*1)	Acquisition cost	Accumulated depreciation	Government grant	Book amount
Land	₩ 23,205	₩ -	₩ -	₩ 23,205
Buildings	125,424	(22,655)	-	102,769
Vehicles	235	(235)	-	-
Office equipment	123,579	(90,026)	-	33,553
Others	40,149	(28,062)	(160)	11,927
Construction-in-progress	1,068	-	-	1,068
	₩ 313,660	₩ (140,978)	₩ (160)	₩ 172,522

(*1) Excludes right-of-use assets.

	As of December 31, 2023			
Category (*1)	Acquisition cost	Accumulated depreciation	Government grant	Book amount
Land	₩ 19,802	₩ -	₩ -	₩ 19,802
Buildings	117,128	(19,623)	-	97,505
Vehicles	235	(235)	-	-
Office equipment	120,866	(84,927)	-	35,939
Others	38,195	(23,223)	(220)	14,752
Construction-in-progress	-	-	-	-
	₩ 296,226	₩ (128,008)	₩ (220)	₩ 167,998

(*1) Excludes right-of-use assets.

12.2 Changes in property and equipment for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	For the year ended December 31, 2024					
Category (*1)	Beginning balance	Acquisitions	Disposals	Depreciation	Transfer(*2)	Ending balance
Land	₩ 19,802	₩ -	₩ -	₩ -	₩ 3,403	₩ 23,205
Buildings	97,505	-	-	(3,032)	8,296	102,769
Office equipment	35,939	10,233	(5)	(12,614)	-	33,553
(Government grant)	-	-	-	-	-	-
Others	14,972	1,659	-	(4,995)	451	12,087
(Government grant)	(220)	-	-	60	-	(160)
Construction-in-progress	-	13,218	-	-	(12,150)	1,068
	₩ 167,998	₩ 25,110	₩ (5)	₩ (20,581)	₩ -	₩ 172,522

(*1) Excludes right-of-use assets.
(*2) The amount of construction in progress will be replaced by the main account of the assets under construction.

For the year ended December 31, 2023

Category (*1)	Beginning balance	Acquisitions	Disposals	Depreciation	Transfer(*2)	Ending balance
Land	₩ 19,802	₩ -	₩ -	₩ -	₩ -	₩ 19,802
Buildings	100,433	-	-	(2,928)	-	97,505
Office equipment	33,698	11,982	(9)	(11,419)	1,687	35,939
(Government grant)	(10)	-	-	10	-	-
Others	17,967	1,563	(291)	(4,984)	717	14,972
(Government grant)	(280)		-	60	-	(220)
Construction-in-progress	1,315	1,089	-	-	(2,404)	-
	₩ 172,925	₩ 14,634	₩ (300)	₩ (19,261)	₩ -	₩ 167,998

(*1) Excludes right-of-use assets.
(*2) The amount of construction in progress will be replaced by the main account of the assets under construction.

12.3 Details of property and equipment that are insured against damages as of December 31, 2024 and 2023 are as follows (Korean won in millions):

As of December 31, 2024

Type	Insurance company	Insurance coverage	Insurance period
General property insurance	Meritz	₩ 56,294	Jul 30, 2024~ Jul 29, 2025
	KB	₩ 46,720	Aug 12, 2024~ Aug 11, 2025

As of December 31, 2023

Type	Insurance company	Insurance coverage	Insurance period
General property insurance	KB	₩ 54,863	Jul 30, 2023~ Jul 29, 2024
	Meritz	₩ 47,925	Aug 12, 2023~ Aug 12, 2024

13 Intangible assets

13.1 Details of intangible assets as of December 31, 2024 and 2023 are as follows (Korean won in millions):

As of December 31, 2024

	Acquisition cost	Accumulated amortization	Accumulated impairment loss	Book amount
Software	₩ 71,428	₩ (51,557)	₩ -	₩ 19,871
Copyright, patents and industrial property rights	26	(26)	-	-
Memberships	922	-	(24)	898
	₩ 72,376	₩ (51,583)	₩ (24)	₩ 20,769

	As of December 31, 2023			
	Acquisition cost	Accumulated amortization	Accumulated impairment loss	Book amount
Software	₩ 67,152	₩ (40,233)	₩	₩ 26,919
Copyright, patents and industrial property rights	26	(26)	-	-
Memberships	922	-	(24)	898
	₩ 68,100	₩ (40,259)	₩ (24)	₩ 27,817

13.2 Changes in intangible assets for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	For the year ended December 31, 2024				
	Beginning	Acquisitions	Amortization	Transfer	Ending
Software	₩ 26,919	₩ 4,276	₩ (11,324)	₩ -	₩ 19,871
Copyrights, patents and industrial property rights	-	-	-	-	-
Memberships	898	-	-	-	898
	₩ 27,817	₩ 4,276	₩ (11,324)	₩ -	₩ 20,769

	For the year ended December 31, 2023				
	Beginning	Acquisitions	Amortization	Transfer	Ending
Software	₩ 37,897	₩ 4	₩ (10,982)	₩ -	₩ 26,919
Copyrights, patents and industrial property rights	-	-	-	-	-
Memberships	756	-	-	142	898
	₩ 38,653	₩ 4	₩ (10,982)	₩ 142	₩ 27,817

14 Right-of-use assets

14.1 Details of right-of-use assets as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	As of December 31, 2024		
	Acquisition cost	Accumulated depreciation	Book amount
Right-of-use assets - Buildings	₩ 31,052	₩ (13,653)	₩ 17,399
Right-of-use assets - Vehicles	3,115	(1,055)	2,060
	₩ 34,167	₩ (14,708)	₩ 19,459

	As of December 31, 2023		
	Acquisition cost	Accumulated depreciation	Book amount
Right-of-use assets - Buildings	₩ 28,630	₩ (10,046)	₩ 18,584
Right-of-use assets - Vehicles	2,881	(1,906)	975
	₩ 31,511	₩ (11,952)	₩ 19,559

14.2 Changes in right-of-use assets for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	For the year ended December 31, 2024				
	Beginning balance	Acquisition	Hedges	Depreciation	Ending balance
Right-of-use assets - Buildings	₩ 18,584	₩ 6,053	₩ -	₩ (7,238)	₩ 17,399
Right-of-use assets - Vehicles	975	2,053	-	(968)	2,060
	₩ 19,559	₩ 8,106	₩ -	₩ (8,206)	₩ 19,459

	For the year ended December 31, 2023				
	Beginning balance	Acquisition	hedges	Depreciation	Ending balance
Right-of-use assets - Buildings	₩ 17,497	₩ 8,109	₩ (8)	₩ (7,014)	₩ 18,584
Right-of-use assets - Vehicles	1,452	429	-	(906)	975
	₩ 18,949	₩ 8,538	₩ (8)	₩ (7,920)	₩ 19,559

15 Other financial assets

Details of other financial assets as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	As of December 31, 2024	As of December 31, 2023
Guarantee deposits	₩ 72,710	₩ 78,904
Loans	1,292	1,662
Other receivables	63,770	67,010
Accrued interest income	401,302	329,395
Fees receivables	2,126	1,760
	₩ 541,200	₩ 478,731

16 Debts

16.1 Details of debts as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	As of December 31, 2024	As of December 31, 2023
Debentures:		
Repurchase Agreement	₩ -	₩ 100,000
Short-term borrowing	-	100,000
	-	200,000
Electronic short-term bonds	17,210,000	13,950,000
Fixed-rate bonds in Korean won	(1,013)	(833)
(Present value discount)	4,958,914	2,320,920
Electronic short-term bonds	(19,448)	(17,335)
Fixed-rate bonds in foreign currency	441,000	-
(Present value discount)	(1,614)	-
	22,587,839	16,252,752
	₩ 22,587,839	₩ 16,452,752

16.2 Details of borrowings as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	Creditor	Annual Interest rate (%)	As of December 31, 2024	As of December 31, 2023
Repurchase Agreement	Multi-Asset Investment Management	4.10	₩ -	₩ 30,000
	Jeonbuk Bank	4.20	-	70,000
Short-term borrowing	Korea Development Bank	4.25	-	100,000
			₩ -	₩ 200,000

16.3 Details of debentures as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	Annual interest rate (%)	Maturity	As of December 31, 2024	As of December 31, 2023
Bonds in Korean won	1.88	Apr 26, 2024	₩ -	₩ 210,000
Bonds in Korean won	1.56	Jun 24, 2024	-	140,000
Bonds in Korean won	1.55	Jul 8, 2024	-	100,000
Bonds in Korean won	1.35	Aug 5, 2024	-	240,000
Bonds in Korean won	1.24	Aug 16, 2024	-	220,000
Bonds in Korean won	1.64	Jul 2, 2024	-	310,000
Bonds in Korean won	1.92	Oct 7, 2024	-	290,000
Bonds in Korean won	2.13	Nov 12, 2024	-	160,000
Bonds in Korean won	2.15	Jan 06, 2025	190,000	190,000
Bonds in Korean won	2.43	Feb 07, 2025	310,000	310,000
Bonds in Korean won	2.49	Mar 07, 2025	310,000	310,000
Bonds in Korean won	2.50	Mar 21, 2025	350,000	350,000
Bonds in Korean won	2.77	Apr 04, 2024	-	250,000
Bonds in Korean won	3.27	Apr 28, 2025	190,000	190,000
Bonds in Korean won	3.06	May 16, 2024	-	170,000
Bonds in Korean won	3.39	May 30, 2025	230,000	230,000
Bonds in Korean won	3.61	Jun 10, 2025	170,000	170,000
Bonds in Korean won	3.97	Jun 16, 2025	450,000	450,000
Bonds in Korean won	3.75	Jul 13, 2025	430,000	430,000
Bonds in Korean won	3.80	Jul 15, 2027	220,000	220,000
Bonds in Korean won	3.70	Jan 19, 2024	-	320,000
Bonds in Korean won	3.73	Aug 11, 2027	190,000	190,000
Bonds in Korean won	4.28	Sep 05, 2025	220,000	220,000
Bonds in Korean won	4.25	Sep 15, 2027	150,000	150,000
Bonds in Korean won	5.25	Sep 27, 2024	-	370,000
Bonds in Korean won	4.98	Oct 06, 2025	180,000	180,000
Bonds in Korean won	5.61	Oct 20, 2025	130,000	130,000
Bonds in Korean won	5.70	Oct 25, 2024	-	170,000
Bonds in Korean won	5.66	Nov 04, 2024	-	210,000
Bonds in Korean won	5.54	Nov 11, 2025	210,000	210,000
Bonds in Korean won	5.41	Nov 15, 2027	110,000	110,000
Bonds in Korean won	5.13	Nov 23, 2027	60,000	60,000
Bonds in Korean won	4.01	Jan 5, 2026	370,000	370,000
Bonds in Korean won	3.76	Jul 17, 2024	-	190,000
Bonds in Korean won	3.58	Jan 27, 2028	200,000	200,000
Bonds in Korean won	3.43	Feb 3, 2026	320,000	320,000
Bonds in Korean won	3.60	Feb 11, 2028	290,000	290,000
Bonds in Korean won	3.76	Aug 27, 2025	220,000	220,000
Bonds in Korean won	4.10	Mar 10, 2026	260,000	260,000
Bonds in Korean won	3.76	Mar 17, 2028	150,000	150,000
Bonds in Korean won	3.60	Mar 27, 2026	130,000	130,000
Bonds in Korean won	3.62	Apr 10, 2028	160,000	160,000
Bonds in Korean won	3.49	Apr 13, 2024	-	150,000
Bonds in Korean won	3.58	Apr 14, 2026	160,000	160,000
Bonds in Korean won	3.69	May 3, 2026	190,000	190,000
Bonds in Korean won	3.66	May 16, 2028	150,000	150,000
Bonds in Korean won	3.75	May 23, 2026	180,000	180,000
Bonds in Korean won	3.80	May 30, 2024	-	190,000
Bonds in Korean won	3.91	Jun 12, 2026	140,000	140,000
Bonds in Korean won	3.81	Jun 13, 2024	-	210,000
Bonds in Korean won	3.99	Jun 21, 2028	80,000	80,000
Bonds in Korean won	3.94	Jun 28, 2026	120,000	120,000

	Annual interest rate (%)	Maturity	As of December 31, 2024	As of December 31, 2023
Bonds in Korean won	3.82	Jul 3, 2024	-	120,000
Bonds in Korean won	4.00	Jul 18, 2026	150,000	150,000
Bonds in Korean won	3.96	Jul 25, 2028	180,000	180,000
Bonds in Korean won	3.97	Aug 3, 2025	90,000	90,000
Bonds in Korean won	4.03	Aug 3, 2028	100,000	100,000
Bonds in Korean won	3.98	Aug 14, 2025	120,000	120,000
Bonds in Korean won	4.07	Aug 23, 2025	100,000	100,000
Bonds in Korean won	3.82	Aug 28, 2024	-	110,000
Bonds in Korean won	4.07	Sep 5, 2026	70,000	70,000
Bonds in Korean won	4.08	Sep 7, 2025	130,000	130,000
Bonds in Korean won	4.21	Sep 18, 2025	100,000	100,000
Bonds in Korean won	4.48	Oct 5, 2026	140,000	140,000
Bonds in Korean won	4.38	Oct 6, 2025	140,000	140,000
Bonds in Korean won	4.40	Oct 12, 2027	90,000	90,000
Bonds in Korean won	4.46	Oct 17, 2028	50,000	50,000
Bonds in Korean won	4.54	Oct 26, 2026	90,000	90,000
Bonds in Korean won	4.48	Nov 2, 2026	150,000	150,000
Bonds in Korean won	4.29	Nov 9, 2025	150,000	150,000
Bonds in Korean won	3.89	Nov 29, 2025	160,000	160,000
Bonds in Korean won	3.91	Dec 1, 2028	90,000	90,000
Bonds in Korean won	3.89	Dec 1, 2025	250,000	250,000
Bonds in Korean won	3.80	Dec 7, 2026	70,000	70,000
Bonds in Korean won	3.62	Dec 18, 2026	60,000	60,000
Bonds in Korean won	3.61	Dec 18, 2026	120,000	120,000
Bonds in Korean won	3.62	Jan 8, 2027	80,000	-
Bonds in Korean won	3.65	Jan 8, 2026	70,000	-
Bonds in Korean won	3.57	Jul 15, 2026	110,000	-
Bonds in Korean won	3.54	Jan 16, 2029	130,000	-
Bonds in Korean won	3.59	Jul 22, 2026	110,000	-
Bonds in Korean won	3.60	Jan 30, 2027	100,000	-
Bonds in Korean won	3.50	Aug 5, 2026	150,000	-
Bonds in Korean won	3.56	Feb 14, 2026	130,000	-
Bonds in Korean won	3.62	Feb 20, 2029	100,000	-
Bonds in Korean won	3.59	Feb 23, 2026	100,000	-
Bonds in Korean won	3.55	Mar 7, 2026	140,000	-
Bonds in Korean won	3.49	Sep 12, 2026	100,000	-
Bonds in Korean won	3.57	Sep 19, 2025	130,000	-
Bonds in Korean won	3.45	Mar 26, 2027	180,000	-
Bonds in Korean won	3.41	Oct 2, 2026	160,000	-
Bonds in Korean won	3.48	Oct 8, 2025	250,000	-
Bonds in Korean won	3.53	Apr 16, 2027	70,000	-
Bonds in Korean won	3.65	Apr 23, 2026	100,000	-
Bonds in Korean won	3.61	Apr 24, 2026	150,000	-
Bonds in Korean won	3.57	Nov 7, 2026	80,000	-
Bonds in Korean won	3.58	May 13, 2027	200,000	-
Bonds in Korean won	3.52	May 27, 2027	180,000	-
Bonds in Korean won	3.54	Jun 4, 2026	210,000	-
Bonds in Korean won	3.45	Jun 12, 2027	200,000	-
Bonds in Korean won	3.36	Jun 18, 2026	110,000	-
Bonds in Korean won	3.38	Dec 25, 2025	140,000	-
Bonds in Korean won	3.32	Jul 2, 2027	190,000	-
Bonds in Korean won	3.22	Jul 9, 2026	150,000	-
Bonds in Korean won	3.16	Jul 16, 2027	180,000	-
Bonds in Korean won	3.18	Jan 23, 2027	70,000	-
Bonds in Korean won	3.14	Jan 29, 2027	70,000	-

	Annual interest rate (%)	Maturity	As of December 31, 2024	As of December 31, 2023
Bonds in Korean won	2.99	Aug 6, 2029	60,000	-
Bonds in Korean won	3.50	Aug 12, 2025	70,000	-
Bonds in Korean won	3.11	Aug 20, 2027	150,000	-
Bonds in Korean won	3.09	Aug 27, 2028	100,000	-
Bonds in Korean won	3.15	Aug 29, 2028	100,000	-
Bonds in Korean won	3.22	Sept 3, 2029	120,000	-
Bonds in Korean won	3.12	Sep 10, 2028	80,000	-
Bonds in Korean won	3.10	Mar 20, 2027	130,000	-
Bonds in Korean won	3.08	Mar 26, 2027	120,000	-
Bonds in Korean won	3.08	Oct 2, 2026	110,000	-
Bonds in Korean won	3.10	Oct 7, 2029	120,000	-
Bonds in Korean won	3.17	Apr 10, 2027	120,000	-
Bonds in Korean won	3.12	Apr 16, 2027	200,000	-
Bonds in Korean won	3.10	Oct 21, 2027	70,000	-
Bonds in Korean won	3.10	Oct 24, 2027	140,000	-
Bonds in Korean won	3.19	Oct 29, 2028	100,000	-
Bonds in Korean won	3.19	May 1, 2026	70,000	-
Bonds in Korean won	3.41	Nov 4, 2025	180,000	-
Bonds in Korean won	3.17	May 7, 2027	160,000	-
Bonds in Korean won	3.09	Nov 12, 2027	160,000	-
Bonds in Korean won	3.18	Nov 15, 2026	90,000	-
Bonds in Korean won	3.16	Nov 19, 2028	80,000	-
Bonds in Korean won	2.96	Nov 28, 2029	110,000	-
Bonds in Korean won	3.21	Dec 2, 2025	180,000	-
Bonds in Korean won	2.85	Dec 2, 2026	70,000	-
Bonds in Korean won	2.90	Jun 5, 2027	180,000	-
Bonds in Korean won	2.82	Dec 16, 2027	60,000	-
Bonds in Korean won	2.85	Dec 19, 2027	120,000	-

16.4 Details of bonds denominated in foreign currencies as of December 31, 2024 and 2023 are as follows (US dollar in millions, BRL in millions, SGD in millions, Korean won in millions):

				As of December 31, 2024		As of December 31, 2023	
	Beginning	Maturity	Annual interest rate (%)	Foreign	KRW	Foreign	KRW
Public bonds denominated in foreign currencies (overseas) - #1	Feb. 24, 2023	Feb. 24, 2028	4.62%	USD 1,000	1,470,000	USD 1,000	1,289,400
	Feb. 24, 2023	Feb. 24, 2033	4.62%	USD 300	441,000	USD 300	386,820
Public bonds denominated in foreign currencies (overseas) - #2	Nov. 15, 2023	Nov. 15, 2026	5.37%	USD 500	735,000	USD 500	644,700
Public bonds denominated in foreign currencies (overseas) - #3	Feb. 15, 2024	Aug. 27, 2027	4.87%	USD 500	735,000	-	-
Public bonds denominated in foreign currencies (overseas) - #4	Jul. 17, 2024	Jul. 17, 2026	10.31%	BRL 1,080	256,856	-	-
Public bonds denominated in foreign currencies (overseas) - #5	Sep.12, 2024	Mar.12, 2028	4.12%	USD 500	735,000	-	-
Public bonds denominated in foreign currencies (overseas) - #6	Oct. 16, 2024	Oct. 16, 2026	10.32%	BRL 1,100	261,734	-	-
Public bonds denominated in foreign currencies (overseas) - #7	Nov. 05, 2024	Nov. 05, 2029	SOFR + 0.83%	USD 300	441,000	-	-
Public bonds denominated in foreign currencies (overseas) - #8	Nov. 27, 2024	Nov. 27, 2026	3.03%	SGD 300	324,324	-	-
					5,399,914		2,320,920
Less: discount on bonds Adjusted amounts							(17,335)
					(21,062)		
					5,378,852		2,303,585

16.5. Changes in the face value of debentures for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	For the year ended December 31, 2024				
	Beginning	Issuance	Repayments	Foreign currency translation	Ending
Electronic short-term bonds	₩ -	₩ 2,000,000	₩ (2,000,000)	₩ -	₩ -
Fixed-rate bonds in Korean won	13,950,000	7,390,000	(4,130,000)	-	17,210,000
Fixed-rate bonds in foreign currency	2,320,920	2,193,852	-	444,142	4,958,914
Foreign currency-denominated public bonds	-	411,000	-	30,000	441,000
	₩ 16,270,920	₩ 11,994,852	₩ (6,130,000)	₩474,142	₩ 22,609,914

	For the year ended December 31, 2023				
	Beginning	Issuance	Repayments	Foreign currency translation	Ending
Electronic short-term bonds	₩ -	₩ 1,990,000	₩ (1,990,000)	₩ -	₩ -
Fixed-rate bonds in Korean won	8,950,000	6,690,000	(1,690,000)	-	13,950,000
Fixed-rate bonds in foreign currency	-	2,326,000	-	(5,080)	2,320,920
	₩ 8,950,000	₩ 11,006,000	₩ (3,680,000)	₩ (5,080)	₩ 16,270,920

16.6 The repayment plans for borrowings and debentures as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	As of December 31, 2024			
	Borrowing	Bonds in Korean	Bond denominated in foreign currencies	Total
Within one year	₩ -	₩ 5,780,000	₩ -	₩ 5,780,000
After one year but not more than five years	-	11,430,000	4,958,914	16,388,914
More than five years	-	-	441,000	441,000
Total	₩ -	₩ 17,210,000	₩ 5,399,914	₩ 22,609,914

	As of December 31, 2023			
	Borrowing	Bonds in Korean	Bonds denominated in foreign currencies	Total
Within one year	₩200,000	₩ 4,130,000	₩ -	₩ 4,330,000
After one year but not more than five years	-	9,820,000	1,934,100	11,754,100
More than five years	-	-	386,820	386,820
Total	₩200,000	₩13,950,000	₩ 2,320,920	₩16,470,920

17. Securitized liabilities

17.1 Details of securitized liabilities as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	Annual interest rate (%)	As of December 31, 2024	As of December 31, 2023
Securitized liabilities in Korean won			
Fixed-rate Mortgage Backed Securities (MBS)	1.36 ~ 5.41	₩ 148,318,811	₩ 154,594,530
Floating-rate Mortgage Backed Securities (MBS)	Underlying asset interest rate-40 ~ 45bp	866,513	998,468
		149,185,324	155,592,998
Less: discount on securitized liabilities in Korean won		(65,354)	(67,204)
		149,119,970	155,525,794
Securitized liabilities in foreign currencies			
Fixed-rate Mortgage Backed Bond (MBB)	0.01 ~ 5.327	13,198,120	10,826,907
Fixed-rate Mortgage Backed Bond (MBB)	Compounded Daily SOFR + 1.00	147,000	128,716
Fixed-rate Mortgage Backed Bond (MBB)	BBSW 3M+1.05	109,641	105,365
Fixed-rate Mortgage Backed Bond (MBB)	HIBOR + 0.349	283,950	-
Less: discount on securitized liabilities in foreign currencies		(13,474)	(13,322)
		13,725,237	11,047,666
		₩ 162,845,207	₩ 166,573,460

17.2. Changes in the face value of securitized liabilities for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	For the year ended December 31, 2024				
	Beginning	Issuance	Repayment	Foreign currency translation	Ending
Securitized liabilities in Korean won					
Fixed-rate Mortgage Backed Securities (MBS)	₩ 154,594,530	₩ 16,409,400	₩ (22,685,119)	₩ -	₩ 148,318,811
Floating-rate Mortgage Backed Securities (MBS)	998,468	-	(131,955)	-	866,513
	155,592,998	16,409,400	(22,817,074)	-	149,185,324
Securitized liabilities in foreign currencies					
Fixed-rate Mortgage Backed Bond (MBB)	10,826,907	2,224,200	(713,295)	860,308	13,198,120
Floating-rate Mortgage Backed Bond (MBB))	234,082	268,575	-	37,934	540,591
	11,060,989	2,492,775	(713,295)	898,242	13,738,711
	₩ 166,653,987	₩ 18,902,175	₩ (23,530,369)	₩ 898,242	₩ 162,924,035

	For the year ended December 31, 2023				
	Beginning	Issuance	Repayment	Foreign currency translation	Ending
Securitized liabilities in Korean won					
Fixed-rate Mortgage Backed Securities (MBS)	₩ 138,484,844	₩ 33,260,700	₩ (17,151,014)	₩ -	₩ 154,594,530
Floating-rate Mortgage Backed Securities (MBS)	1,109,641	-	(111,173)	-	998,468
	139,594,485	33,260,700	(17,262,187)	-	155,592,998
Securitized liabilities in foreign currencies					
Fixed-rate Mortgage Backed Bond (MBB)	7,624,001	3,403,808	(648,805)	447,903	10,826,907
Floating-rate Mortgage Backed Bond (MBB)	-	234,082	-	-	234,082
	7,624,001	3,637,890	(648,805)	447,903	11,060,989
	₩ 147,218,486	₩ 36,898,590	₩ (17,910,992)	₩ 447,903	₩ 166,653,987

18. Net defined benefit liabilities

18.1 Details of net defined benefit liabilities as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	As of December 31, 2024	As of December 31, 2023
Present value of funded defined benefit obligations	₩ 116,909	₩ 97,172
Fair value of plan assets	(2,770)	(88)
	₩ 114,139	₩ 97,084

18.2. Changes in the present value of defined benefit obligations for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	For the year ended December 31, 2024	For the year ended December 31, 2023
Beginning balance	₩ 97,172	₩ 76,932
Current service cost	11,243	9,392
Net interest expense	3,343	3,210
Remeasurements:		
Actuarial gains arising from changes in demographic assumptions	3,878	-
Actuarial gains arising from changes in financial assumptions	6,380	6,737
Actuarial losses (gains) arising from experience adjustment	(1,519)	4,717
Benefit payments	(3,588)	(3,816)
Ending balance	₩ 116,909	97,172

18.3. Changes in the plan assets for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	For the year ended December 31, 2024	For the year ended December 31, 2023
Beginning balance	₩ 88	₩ 160
Contribution	2,757	-
Interest income	3	7
Payment	(89)	(75)
Remeasurements:		
Return on plan assets (excluding amounts included in interest income)	11	(4)
Ending balance	₩ 2,770	₩ 88

18.4. Details of plan assets as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	As of December 31, 2024	As of December 31, 2023
Principal and interest guaranteed	₩ 2,770	₩ 88

18.5. The significant actuarial assumptions as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	As of December 31, 2024	As of December 31, 2023
Discount rate	3.00%	3.50%
Salary growth rate	6.00%	6.00%

18.6. The sensitive analysis of net defined benefit liabilities to changes in principal assumptions as of December 31, 2024, is as follows (Korean won in millions):

		Impact on defined benefit obligations	
	Changes in principal assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	₩ (3,257)	₩ 3,397
Salary growth rate	0.25%	3,436	(3,311)

19. Other financial liabilities

Details of other financial liabilities as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	As of December 31, 2024	As of December 31, 2023
Accrued expenses	₩ 317,206	₩ 228,502
Withholdings	1,625	1,585
Accrued trust interest expense	491,221	482,743
Financial guarantee contract liability	2,003	-
Unearned revenue	1,201	1,214
Lease liabilities	16,607	16,434
	₩ 829,863	₩ 730,478

20. Lease liabilities

20.1 The carrying amounts of lease liabilities and the movements for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	For the year ended December 31, 2024					
	Beginning	Additions	Payment	Hedge	Accretion of interest	Ending
Lease liabilities - Buildings	₩ 15,404	₩ 3,350	₩ (5,132)	₩ -	₩ 855	₩ 14,477
Lease liabilities - Vehicles	1,030	2,054	(1,021)	-	67	2,130
	₩ 16,434	₩ 5,404	₩ (6,153)	₩ -	₩ 922	₩ 16,607

	For the year ended December 31, 2023					
	Beginning	Additions	Payment	Hedge	Accretion of interest	Ending
Lease liabilities - Buildings	₩ 13,718	₩ 5,581	₩ (4,571)	₩ (8)	₩ 684	₩ 15,404
Lease liabilities - Vehicles	1,501	429	(947)	-	47	1,030
	₩ 15,219	₩ 6,010	₩ (5,518)	₩ (8)	₩ 731	₩ 16,434

20.2. The maturity analysis of lease liabilities as of December 31, 2024 and 2023 is as follows (Korean won in millions):

Maturity - Undiscounted contractual cash flow	As of December 31, 2024	As of December 31, 2023
Within one year	₩ 5,641	₩ 5,133
After one year but not more than five years	12,685	11,698
More than five years	212	1,598
	₩ 18,538	₩ 18,429

20.3. The total cash outflow for leases for each of the two years in the period ended December 31, 2024 is as follows (Korean won in millions):

	For the year ended December 31, 2024	For the year ended December 31, 2023
Total cash outflow for leases	₩ 6,153	₩ 5,517

20.4. Short-term lease payments and payments for leases of low-value assets that were not included in the measurement of lease liabilities for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	For the year ended December 31, 2024	For the year ended December 31, 2023
Short-term lease payments	₩ (19)	₩ (17)
Payments for leases of low-value assets	(141)	(96)
	₩ (160)	₩ (113)

20.5. The amounts recognized by the Group as profit or loss from the lessee's perspective for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	For the year ended December 31, 2024	For the year ended December 31, 2023
Depreciation of right-of-use assets	₩ 8,206	₩ 7,920
Interest expense on lease liabilities (finance expense)	922	731
Short-term lease payments	19	17
Payments for leases of low-value assets	141	96
Accretion of interest income on present value discount of guarantee deposit	(2,459)	(2,235)
Other	(26)	(1)
	₩ 6,803	₩ 6,528

21. Provisions

21.2. Details of provisions as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	As of December 31, 2024	As of December 31, 2023
Provisions for employee benefits	₩ 1,374	₩ 1,362
Provisions for conversion incentives	31,706	27,665
Provisions for restoration costs	3,626	3,002
	₩ 36,706	₩ 32,029

21.3. Changes in provisions for each of the two years in the period ended December 31, 2024, are as follows (Korean won in millions):

	For the year ended December 31, 2024					
	Beginning	Additions	Reversals	Utilization	Other	Ending
Provisions for employee benefits	₩ 1,362	₩ 1,374	₩ (1,362)	₩ -	₩ -	₩ 1,374
Provisions for conversion incentives	27,665	4,050	-	(10)	1	31,706
Provisions for restoration costs	3,002	109	(135)	-	650	3,626
	₩ 32,029	₩ 5,533	₩ (1,497)	₩ (10)	₩ 651	₩ 36,706

	For the year ended December 31, 2023					
	Beginning	Additions	Reversals	Utilization	Other	Ending
Provisions for employee benefits	₩ 1,324	₩ 1,362	₩ (1,324)	₩ -	₩ -	₩ 1,362
Provisions for conversion incentives	23,053	4,631	-	(16)	(3)	27,665
Provisions for restoration costs	3,216	104	(104)	(375)	161	3,002
	₩ 27,593	₩ 6,097	₩ (1,428)	₩ (391)	₩ 158	₩ 32,029

22. Paid-in capital

22.2. Details of paid-in capital as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	As of December 31, 2024			As of December 31, 2023(*)		
	Government	Non-government	Total	Government	Non-government	Total
Capital contributions	₩ 1,742,400	₩ 995,000	₩ 2,737,400	₩ 1,742,400	₩ 995,000	₩ 2,737,400
Capital adjustments	(4,771)	(2,457)	(7,228)	(4,771)	(2,457)	(7,228)
	₩ 1,737,629	₩ 992,543	₩ 2,730,172	₩ 1,737,629	₩ 992,543	₩ 2,730,172

(*) The Group received capital contributions of ₩396,800 million from the government for the year ended December 31, 2023.

23. Other components of equity

23.1 Details of other components as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	As of December 31, 2024	As of December 31, 2023
Accumulated other comprehensive income (loss)	₩ (102,030)	₩ (97,396)

23.2. Details of accumulated other comprehensive loss as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	As of December 31, 2024	As of December 31, 2023
Losses on cash flow hedges	₩ (117,546)	₩ (107,179)
Gains on debt securities measured at FVOCI	11,629	5,710
Gains on equity securities measured at FVOCI	3,887	4,072
	₩ (102,030)	₩ (97,397)

23.3. Changes in accumulated other comprehensive income (loss) for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	For the year ended December 31, 2024				
	Beginning	Changes (except for reclassification)	Reclassification to profit or loss	Tax effect	Ending
Gains (losses) on cash flow hedges	₩ (107,179)	₩ (15,744)	₩ 2,263	₩ 3,114	₩ (117,546)
Gains (losses) on debt securities measured at FVOCI	5,710	6,616	1,080	(1,777)	11,629
Gains (Llsses) on equity securities measured at FVOCI	4,072	(240)	-	55	3,887
	₩ (97,397)	₩ (9,368)	₩ 3,343	₩ 1,392	₩(102,030)

	For the year ended December 31, 2023				
	Beginning	Changes (except for reclassification)	Reclassification to profit or loss	Tax effect	Ending
Gains (losses) on cash flow hedges	₩ (133,605)	₩ 42,402	₩ 3,619	₩ (19,595)	₩ (107,179)
Gains (losses) on debt securities measured at FVOCI	(14,971)	19,740	8,054	(7,113)	5,710
Gains (losses) on equity securities measured at FVOCI	3,958	(90)	-	204	4,072
	₩ (144,618)	₩ 62,052	₩ 11,673	₩ (26,504)	₩ (97,397)

24. Retained earnings and dividends

24.1 Retained earnings as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	As of December 31, 2024	As of December 31, 2023
Legal reserve (*1)	₩ 511,202	₩ 497,811
Regulatory reserve for credit losses	421,790	337,689
Unappropriated retained earnings	1,173,179	1,042,580
	₩ 2,106,171	₩ 1,878,080

(*1) In accordance with Article 50 of the KHFC Act, an amount equal to at least 20% of profit for the year is required to be appropriated as a legal reserve until the reserve equals paid-in capital. The legal reserve may only be used to offset a deficit, if any, or be transferred to capital (earned surplus reserve).

24.2. Legal reserves as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	As of December 31, 2024	As of December 31, 2023
Legal reserve	₩ 511,202	₩ 497,811

24.3. Changes in retained earnings for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	For the year ended December 31, 2024	For the year ended December 31, 2023
Beginning balance	₩ 1,878,080	₩ 1,884,804
Profit for the year	234,812	45,504
Dividends paid	-	(43,391)
Remeasurement of net defined benefit liabilities	(6,721)	(8,837)
Ending balance	₩ 2,106,171	₩ 1,878,080

24.4. Regulatory reserve for credit losses

Measurement and disclosure of the regulatory reserve for credit loss are required in accordance with Article 7 of the Regulation on Supervision of Korea Housing Finance Corporation.

24.4.1. Details of regulatory reserve for credit losses as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	As of December 31, 2024	As of December 31, 2023
Beginning reserve for credit loss	₩ 421,790	₩ 337,689
Expected additional regulatory reserve for credit losses	(36,017)	84,102
Ending reserve for credit loss	₩ 385,773	₩ 421,791

24.4.2. Provisions for regulatory reserve for credit losses and adjusted profit reflecting the provisions for regulatory reserve for credit losses for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	For the year ended December 31, 2024	For the year ended December 31, 2023
Profit for the year before reflecting regulatory reserve for credit losses	₩ 234,812	₩ 45,504
Expected additional regulatory reserve for credit losses	36,017	(84,102)
Adjusted profit after reflecting regulatory reserve for credit losses (*)	₩ 270,829	₩ (38,598)

(*) Adjusted profit after provision of regulatory reserve for credit losses is not in accordance with KIFRS and calculated on the assumption that provision (reversal) of regulatory reserve for credit losses before income tax is adjusted to the profit for the year.

25. Interest income

Details of interest income for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	For the year ended December 31, 2024	For the year ended December 31, 2023
Cash and due from banks	₩ 355,403	₩ 155,863
Financial assets at FVPL	-	2,840
Financial assets at FVOCI	58,908	32,018
Loan receivables	5,444,686	4,669,340
Other financial assets	2,460	2,235
	₩ 5,861,457	₩ 4,862,296

26. Interest expenses

Details of interest expenses included in finance costs for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	For the year ended December 31, 2024	For the year ended December 31, 2023
Borrowings	₩ 3,057	₩ 4,358
Public bonds issued	705,030	473,580
Securitized liabilities	4,636,517	3,803,883
Lease liabilities	921	731
Other financial liabilities	109	104
	₩ 5,345,634	₩ 4,282,656

27. Net fee and commission income and expenses

Details of fee and commission income and expenses for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	For the year ended December 31, 2024	For the year ended December 31, 2023
Fee and commission income		
Early redemption fees	₩ 5,517	₩ 7,957
Others	6,945	5,919
	12,462	13,876
Fee and commission expenses		
Service fees	(107,288)	(115,364)
Other service fees	(3,355)	(4,266)
	(110,643)	(119,630)
	₩ (98,181)	₩ (105,754)

28. Selling and administrative expenses

Selling and administrative expenses for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	For the year ended December 31, 2024	For the year ended December 31, 2023
Short-term employee salaries	₩ 98,030	₩ 93,944
Retirement benefits	14,583	12,595
Employee welfare	5,712	6,875
Food service expenses	344	376
Depreciation	20,581	19,261
Amortization	11,324	10,982
Depreciation of right-of-use assets	8,206	7,920
Rental expenses	9,600	8,826
Entertainment expenses	138	149
Taxes and dues	12,480	12,415
Advertising expenses	7,527	8,290
Travel expenses	1,211	1,313
Communication expenses	3,593	3,739
Utility expenses	1,605	1,547
Insurance expenses	165	149
Service contract expenses	9,465	11,532
Publication expenses	394	465
Training expenses	2,043	1,875
Conference expenses	1,056	1,087
Vehicles expenses	115	50
Electronic data processing expenses	18,271	16,008
Others	1,790	1,936
	₩ 228,233	₩ 221,334

29. Other gains (losses)

Other gains and losses for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	For the year ended December 31, 2024	For the year ended December 31, 2023
Other gains		
Interest income on other loans	₩ 53	₩ 76
Miscellaneous gains	657	663
	710	739
Other losses		
Donations	(2,696)	(3,006)
Miscellaneous losses	(562)	(678)
	(3,258)	(3,684)
	₩ (2,548)	₩ (2,945)

30. Income tax expense

30.1 Income taxes for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	For the year ended December 31, 2024	For the year ended December 31, 2023
Current income tax expenses		
Current income taxes	₩ 17,928	₩ 67,558
Adjustment in current year for prior year's income tax	(5,753)	(2,451)
Underpayments of income tax	1,565	-
	13,740	65,107
Deferred tax expenses		
Origination and reversal of temporary differences	48,687	(28,646)
Income tax effects on equity	3,399	(20,264)
Others	-	-
	₩ 65,826	₩ 16,197

30.2. The reconciliation between income tax expense at the effective tax rate and accounting profit before income tax at the statutory rate of the Republic of Korea for each of the two years in the period ended December 31, 2024 is as follows (Korean won in millions):

	For the year ended December 31, 2024	For the year ended December 31, 2023
Profit before income taxes	₩ 300,638	₩ 61,701
Tax calculated at applicable tax rates	68,985	13,791
Adjustments:		
Expenses not deductible for tax	313	68
Income not subject to tax	-	-
Tax exemptions to be deducted	-	(8)
Refund of prior year's income tax	(4,849)	(2,453)
Underpayments of income tax	1,565	-
Unrecognized deferred tax asset	530	-
Others	(718)	4,799
Income tax expense	₩ 65,826	₩ 16,197
Effective tax rate	21.90%	26.30%

30.3. Income tax effects related to accumulated other comprehensive income and remeasurement of net defined benefit liabilities as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	As of December 31, 2024			As of December 31, 2023		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Gain on valuation of debt securities at FVOCI	₩ 15,892	₩ 3,671	₩ 12,221	₩ 11,762	₩ 2,717	₩ 9,045
Loss on valuation of debt securities at FVOCI	(769)	(177)	(592)	(4,336)	(1,002)	(3,334)
Gain on valuation of equity securities at FVOCI	5,055	1,168	3,887	5,295	1,223	4,072
Gain on valuation of cash flow hedge	37,489	8,660	28,829	20,093	4,641	15,452
Loss on valuation of cash flow hedge	(190,345)	(43,970)	(146,375)	(159,467)	(36,837)	(122,630)
Remeasurement of net defined benefit liabilities	(33,291)	(7,792)	(25,499)	(24,563)	(5,784)	(18,779)
	₩ (165,969)	₩ (38,440)	₩ (127,529)	₩ (151,216)	₩ (35,042)	₩ (116,174)

30.4. The movements in deferred tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	For the year ended December 31, 2024			
	Beginning balance	Statements of profit or loss	Other comprehen-sive income	Ending balance
Deferred tax liabilities for temporary differences				
Retirement insurance deposits	₩ (20)	₩ 1	₩ -	₩ (19)
Accrued income	(5,592)	(5,152)	-	(10,744)
Mortgage loans (premium)	(24,737)	5,283	-	(19,454)
Others	(135,861)	12,348	-	(123,513)
Gains on transactions of derivatives (government bond futures)	-	-	-	-
Gains on valuation of securities at FVOCI	(3,940)	-	(899)	(4,839)
Effects of subsidiaries	(37,886)	(991)	-	(38,877)
Gains on valuation of hedge	(4,642)	-	(4,018)	(8,660)
Right-of-use assets	(3,812)	(78)	-	(3,890)
(1)	(216,490)	11,411	(4,917)	(209,996)
Deferred tax assets for temporary differences				
losses on valuation of hedge	36,837	-	7,133	43,970
Provisions for post-employment benefits	22,257	3,954	-	26,211
Acquisition commitments (discount/premium on mortgage loan for purchase)	25,968	1,180	-	27,148
Derivative for acquisition commitments	70,658	(60,665)	-	9,993
Derivative financial liabilities (interest rate swap)	2,118	8,918	-	11,036
Present value discounts on debt securities at FVOCI	868	(968)	-	(100)
Losses on subordinated securitized bonds	1,201	(1,201)	-	-
Unsettled expenses	8,668	995	-	9,663
Leave allowance	1,268	48	-	1,316
Mortgage loans (discount)	118,457	(13,109)	-	105,348
Remeasurement of defined benefit plans	5,784	-	2,008	7,792
Losses on valuation of securities at FVOCI	1,002	-	(824)	178
Effect from cancellation of sales	8,812	(2,597)	-	6,215
Finance lease liabilities	3,766	47	-	3,813
NOL Carryforward	-	429	-	429
	307,664	(62,969)	8,317	253,012
less: unrecognized deferred tax assets				
Deductible temporary differences(*)	-	(100)	-	(100)
NOL Carryforward (*)	-	(429)	-	(429)
(2)	307,664	(63,498)	8,317	252,483
(1) + (2)	₩ 91,174	₩ (52,087)	₩ 3,400	₩ 42,487

(*) Due to the uncertainty of future taxable income of HF Partners Co., Ltd and its operational dependence on the parent company, Korea Housing Finance Corporation, the deferred tax assets for the deductible temporary differences of KRW 480 million and carryforward tax losses of KRW 2,054 million were not recognized.

30.4. The movements in deferred tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions): (cont'd)

	For the year ended December 31, 2023			
	Beginning balance	Statements of profit or loss	Other comprehen-sive income	Ending balance
Deferred tax liabilities for temporary differences				
Retirement insurance deposits	₩ (42)	₩ 22	₩ -	₩ (20)
Accrued income	(520)	(5,072)	-	(5,592)
Mortgage loans (premium)	(28,589)	3,852	-	(24,737)
Others	(179,629)	43,768	-	(135,861)
Gains on transactions of derivatives (government bond futures)	(12,125)	12,125	-	-
Gains on valuation of securities at FVOCI	(1,427)	-	(2,513)	(3,940)
Effects of subsidiaries	(53,302)	15,416	-	(37,886)
Gains (losses) on valuation of hedge	-	-	(4,642)	(4,642)
Right-of-use assets	(4,242)	430	-	(3,812)
(1)	(279,876)	70,541	(7,155)	(216,490)
Deferred tax assets for temporary differences				
Losses on valuation of hedge	48,171	-	(11,334)	36,837
Provisions for post-employment benefits	20,198	2,059	-	22,257
Acquisition commitments (discount/premium on mortgage loan for purchase)	17,957	8,011	-	25,968
Derivative for acquisition commitments	70,071	587	-	70,658
Derivative financial liabilities (interest rate swap)	6,948	(4,830)	-	2,118
Present value discounts on debt securities at FVOCI	1,544	(676)	-	868
Losses on subordinated securitized bonds	3,378	(2,177)	-	1,201
Unsettled expenses	8,614	54	-	8,668
Leave allowance	1,340	(72)	-	1,268
Mortgage loans (discount)	135,001	(16,544)	-	118,457
Remeasurement of defined benefit plans	3,163	-	2,621	5,784
Losses on valuation of securities at FVOCI	5,398	-	(4,396)	1,002
Effect from cancellation of sales	16,627	(7,815)	-	8,812
Finance lease liabilities	3,994	(228)	-	3,766
(2)	342,404	(21,631)	(13,109)	307,664
(1) + (2)	₩ 62,528	₩ 48,910	₩ (20,264)	₩ 91,174

30.5 The unrecognized deferred tax assets and others

The unrecognized deferred tax assets due to the uncertainty of future taxable income and reasons thereof as of December 31, 2024 are as follows (Korean won in millions):

	Amounts	Reason
NOL Carryforward	429	Uncertainty of future taxable income
Deductible temporary differences(*)	100	Uncertainty of future taxable income
	529	

The future realizability of deferred tax assets is evaluated by considering various factors such as the performance of the consolidated entities, overall economic environment and industry outlook, anticipated future operating profits, and the deductible period for tax credits and carryforward tax losses.

(*) The expiration year for the unused tax loss carryforwards of KRW 2,054 million is 2029.

31. Contingencies and commitments

31.1 Details of the Group's insurance as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	As of December 31, 2024		As of December 31, 2023	
	Insurance company	Insurance coverage	Insurance company	Insurance coverage
Insurance for the exposure of personal information	DB Insurance Co., Ltd.	₩ 5,000	DB Insurance Co., Ltd.	₩ 5,000
Insurance for electronic financial transactions	DB Insurance Co., Ltd.	1,000	DB Insurance Co., Ltd.	1,000
Group accident insurance	Meritz Fire & Marine Insurance Co., Ltd.	583,699	Meritz Fire & Marine Insurance Co., Ltd..	110,313
Insurance for public service workers	DB Insurance Co., Ltd.	12,840	DB Insurance Co., Ltd.	18,354
Samsung group accident insurance	Samsung Fire & Marine Insurance Co. Ltd.	105,148	Samsung group accident insurance	154,226
DB group accident insurance	DB Insurance Co., Ltd.	147,017	DB group accident insurance	248,098
Comprehensive property insurance	KB General Insurance Co., Ltd	46,720	Meritz Fire & Marine Insurance Co. Ltd.	47,925
Liability insurance for reparation of elevator accident	Samsung Fire & Marine Insurance Co. Ltd.	271	Samsung Fire & Marine Insurance Co. Ltd.	271
Hanwha Global insurance	Hanwha General Insurance Co., Ltd.	-	Hanwha General Insurance Co., Ltd.	5,234
Hanwha group accident insurance	Hanwha General Insurance Co., Ltd.	91,387	Hanwha General Insurance Co., Ltd.	117,725
Liability insurance for reparation of gas accident	Hanwha General Insurance Co., Ltd.	300	Hanwha General Insurance Co., Ltd.	380

Comprehensive property insurance	Meritz Fire & Marine Insurance Co. Ltd.	56,294	KB General Insurance Co., Ltd	54,863
Drone Liability Insurance	Samsung Fire & Marine Insurance Co. Ltd.	200		

31.2. Details of the Group's lines of credit with financial institution as of December 31, 2024 and 2023 are as follows (Korean won in millions):

As of December 31, 2024

Type	Financial institution	Limit	Executed amount
Mutual Growth Loan	Hana Bank	₩ 1,000	-
Co-prosperity Loan	Industrial Bank of Korea	2,000	-
Win-Win Loan	Busan Bank	2,000	-
Shared Growth Loan	Shinhan Bank	2,000	-
Win-Win Payment Loan	KB bank	2,000	-
Growth Together Loan	Nong Hyup Bank	2,000	-
Win-Win Partner Loan	Woori bank	2,000	-
		₩ 13,000	-

As of December 31, 2023

Type	Financial institution	Limit	Executed amount
Mutual Growth Loan	Hana Bank	₩ 1,000	-
Co-prosperity Loan	Industrial Bank of Korea	2,000	-
		3,000	-

31.3. Other commitments of the Group as of December 31, 2024 and 2023 are as follows:

31.3.1. As of December 31, 2024, in order to secure part of the Group's leasehold deposits, the Group has established leasehold rights of ₩59,969 million (₩33,531 million as of December 31, 2023) and collateralized mortgage of ₩11,331 million (₩11,874 million as of December 31, 2023) and holds leasehold guarantee insurance of ₩43,432 million (₩21,554 million as of December 31, 2023) with Seoul Guarantee Insurance Company.

31.3.2. As of December 31, 2024, the Group has short-term borrowing agreements of ₩1,100,000 million (₩1,000,000 million as of December 31, 2023) with several financial institutions, including Shinhan Bank, Hana Bank and others.

31.3.3. As of December 31, 2024, the Group has acquisition commitments to purchase mortgage backed-loans of ₩4,988,921 million (₩17,152,325million as of December 31, 2023) outstanding with 32 financial institutions, including Industrial Bank of Korea and others.

31.3.4. As of December 31, 2024, the Group is currently being charged in relation to two legal cases (lawsuit amount: KRW 87 million), and has filed 24 cases (lawsuit amount: KRW 30,476 million) for claims of payment of receivables, among others. While the outcome of these lawsuits could affect the financial statements, it is currently not predictable.

32. Transfer and derecognition of financial assets

The Group pays cash flows of underlying assets to security holders by issuing securitized securities. Accordingly, it implies that the Group transfers the cash flows of the underlying assets to the security holders.

Details of underlying assets that have been transferred to the security holders and the related securitized securities as of December 31, 2024 and 2023 are as follows (Korean won in millions):

	As of December 31, 2024				
	Underlying assets			Securitized loans	
	Underlying assets	Book amount	Fair value	Book amount	Fair value
Mortgage Backed Bond (MBB)	Mortgage loans	₩ 14,403,096	₩ 13,301,858	₩ 13,725,237	₩ 13,741,556
Mortgage Backed Securities (MBS)	Mortgage loans	160,617,734	148,752,331	149,119,970	147,737,281
		₩ 175,020,830	₩ 162,054,189	₩ 162,845,207	₩161,478,837

	As of December 31, 2023				
	Underlying assets			Securitized loans	
	Underlying assets	Book amount	Fair value	Book amount	Fair value
Mortgage Backed Bond (MBB)	Mortgage loans	₩ 13,094,278	₩ 11,146,512	₩ 11,047,667	₩ 10,808,883
Mortgage Backed Securities (MBS)	Mortgage loans	165,491,249	144,634,036	155,525,794	151,506,584
		₩178,585,527	₩155,780,548	₩166,573,461	₩162,315,467

33. Related party disclosures

33.1 The following tables list the Group's related parties as of December 31, 2024 :

	Related party
Shareholders	The Korean government
	The Bank of Korea

33.2. Significant financial transactions with related parties for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	For the year ended December 31, 2024			
	Beginning balance	Loans	Repayments	Ending balance
Loans to employees	₩ 1,662	₩ 104	₩ (474)	₩ 1,292

	For the year ended December 31, 2023			
	Beginning balance	Loans	Repayments	Ending balance
Loans to employees	₩ 1,948	₩ 172	₩ (458)	₩ 1,662

	For the year ended December 31, 2024			For the year ended December 31, 2023		
	The Korean government	The Bank of Korea	Total	The Korean government	The Bank of Korea	Total
Increase in capital	₩ -	₩ -	₩ -	₩ 166,800	₩ 230,000	₩ 396,800
Dividends paid	-	-	-	(29,210)	(14,182)	(43,392)

33.3. Details of compensation to key management for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	For the year ended December 31, 2024	For the year ended December 31, 2023
Short-term employee benefits	₩ 1,690	₩ 1,714
Retirement benefits	102	124
	₩ 1,792	₩ 1,838

34. Statement of Cash flows

34.1 Major non-cash transactions related to cash flows from investing and financing activities for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	For the year ended December 31, 2024	For the year ended December 31, 2023
Transfer of property and equipment	₩ 12,150	₩ 2,404
Acquisition of right-of-use assets	5,404	6,010
Effect of liquidation of securitized liabilities	45,285	26,795

34.2. Changes in liabilities arising from cash flows from financing activities for each of the two years in the period ended December 31, 2024 are as follows (Korean won in millions):

	For the year ended December 31, 2024				
	Beginning balance	Cash flows from financing activities	Lease contract	Others	Ending balance
Borrowings	₩ 200,000	₩ (200,000)	₩ -	₩ -	₩ -
Debentures and public bonds issued	16,252,752	5,855,323	-	479,764	22,587,839
Securitized securities	155,525,794	(6,416,220)	-	10,396	149,119,970
Foreign securitized securities	11,047,667	1,818,539	-	859,031	13,725,237
Lease liabilities	16,434	(6,153)	5,404	922	16,607
	₩183,042,647	₩ 1,051,489	₩ 5,404	₩1,350,113	₩185,449,653

	For the year ended December 31, 2023				
	Beginning balance	Cash flows from financing activities	Lease contract	Others	Ending balance
Borrowings	₩ 150,000	₩ 50,000	₩ -	₩ -	₩ 200,000
Debentures and public bonds issued	8,949,389	7,305,756	-	(2,393)	16,252,752
Securitized securities	139,529,086	15,985,190	-	11,518	155,525,794
Foreign securitized securities	7,614,470	2,980,421	-	452,776	11,047,667
Lease liabilities	15,219	(5,517)	6,009	723	16,434
	₩156,258,164	₩ 26,315,850	₩ 6,009	₩ 462,624	₩183,042,647

34.3. The Group recognized the net amount of cash inflows and outflows from financial instruments with the large amount, high frequencies and short maturities.

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