

KODIT Global 2024-2 Co., Ltd.

Issue of U.S.\$200,000,000 Floating Rate Guaranteed

Senior Unsecured Bonds due 2027

(the "Bonds")

Issue Price: 100 per. cent.

Issue Date: 29 October 2024

This information package includes the offering circular dated 14 October 2024 (the "**Offering Circular**") and together with this cover page, the "**Information Package**").

The Bonds will be issued by KODIT Global 2024-2 Co., Ltd. (the "**Issuer**") and guaranteed by Korea Credit Guarantee Fund (the "**Guarantor**").

Application will be made by the Issuer for the Bonds to be listed and admitted for trading on the Taipei Exchange (the "**TPEX**") in the Republic of China (the "**ROC**") and Singapore Exchange Securities Trading Limited.

The Bonds will be traded on the TPEX pursuant to the applicable rules of the TPEX. Effective date of listing and trading of the Bonds is on 29 October 2024.

TPEX is not responsible for the content of the Information Package and no representation is made by the TPEX to the accuracy or completeness of the Information Package. The TPEX expressly disclaims any and all liability for any losses arising from, or as a result of the reliance on, all or part of the contents of this Information Package. Admission to the listing and trading of the Bonds on the TPEX shall not be taken as an indication of the merits of the Issuer, the Guarantor or the Bonds.

The Bonds have not been, and shall not be, offered, sold or re-sold, directly or indirectly, to investors other than "professional investors" as defined under Paragraph 1, Article 2-1 of the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds of the ROC (the "**Professional Investors**"). Purchasers of the Bonds are not permitted to sell or otherwise dispose of the Bonds except by transfer to a Professional Investor.

Lead Manager

Yuanta Securities Co., Ltd.

Bookrunner and Manager

BNP Paribas SA, Taipei Branch

Co-Managers

Cathay United Bank Co., Ltd.

KGI Securities Co. Ltd.

President Securities Corporation

CTBC Bank Co., Ltd.

Mega International Commercial Bank Co., Ltd.

SinoPac Securities Corporation

IMPORTANT NOTICE

THIS DOCUMENT IS AVAILABLE ONLY TO INVESTORS WHO ARE NON-U.S. PERSONS WITH ADDRESSES OUTSIDE OF THE U.S.

IMPORTANT: You must read the following before continuing. If you are not the intended recipient of this message, please do not distribute or copy the information contained in this e-mail, but instead, delete and destroy all copies of this e-mail including all attachments. The following applies to the offering circular following this page (the “**Offering Circular**”), and you are therefore advised to read this carefully before reading, accessing or making any other use of this Offering Circular. In accessing this Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from KODIT Global 2024-2 Co., Ltd. (the “**Issuer**”) or Korea Credit Guarantee Fund (the “**Guarantor**”) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES AND THE GUARANTEE DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THIS OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. ANY INVESTMENT DECISION SHOULD BE MADE ON THE BASIS OF THE FINAL TERMS AND CONDITIONS OF THE RELEVANT SECURITIES. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your Representation: In order to be eligible to view this Offering Circular or make an investment decision with respect to the securities, investors must not be a U.S. person (within the meaning of Regulation S under the Securities Act). By accepting the e-mail and accessing this Offering Circular, you shall be deemed to have represented to the Issuer and the Guarantor that (1) you are not a U.S. person nor are you acting on behalf of a U.S. person, the electronic mail address that you gave to the Issuer and the Guarantor and to which this e-mail has been delivered is not located in the United States, its territories or possessions and, to the extent you purchase the securities described in this Offering Circular, you will be doing so pursuant to Regulation S under the Securities Act and (2) you consent to the delivery of this Offering Circular and any amendments and supplements thereto by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose the contents of this Offering Circular to any other person. If this is not the case, you must return this Offering Circular to the Issuer and the Guarantor immediately.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licenced broker or dealer and the underwriter or any affiliate of the underwriter is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriter or such affiliate on behalf of the issuer in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of the Issuer, the Guarantor or the Managers (as defined below), or any person who controls any of them or any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between this Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Manager.

You should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected. You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The information in this Offering Circular is not complete and may be changed. This Offering Circular is not an offer to sell these securities and it is not a solicitation of an offer to buy these securities in any jurisdictions where the offer or sale is not permitted.

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 this offering of the Bonds (as defined in this Offering Circular), including BNP Paribas SA, Taipei Branch (the “**Bookrunner and Manager**”) are “capital market intermediaries” (together, the “**CMIs**”) subject to Paragraph 21 of the Code of Conduct for Persons Licenced 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 this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an association (an “**Association**”) with the Issuer, the Guarantor, the CMI or the relevant group company. Prospective investors associated with the Issuer, the Guarantor or any CMI (including its group companies) should specifically disclose this when placing an order for the Bonds and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this 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 this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this 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 the Bookrunner and Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Bookrunner and Manager 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 this 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 the Bookrunner and Manager, such that its order may be considered to be a “proprietary order” (pursuant to the SFC Code), such prospective investor should indicate to the Bookrunner and Manager 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 this offering, such “proprietary order” is hereby deemed not to negatively impact the price discovery process in relation to this 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 Bookrunner and Manager and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Guarantor, 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 this offering. Failure to provide such information may result in that order being rejected.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission. Consequently, none of BNP Paribas SA, Taipei Branch, Cathay United Bank Co., Ltd., CTBC Bank Co., Ltd., KGI Securities Co. Ltd., Mega International Commercial Bank Co., Ltd., President Securities Corporation, SinoPac Securities Corporation and Yuanta Securities Co., Ltd. (the “**Managers**”) or any person who controls any such entity or any director, officer, employee or agent or affiliate of any such entity accepts any liability or responsibility whatsoever in respect of any difference between this Offering Circular distributed to you in electronic format herewith and the hard copy version available to you on request from the Managers.

KODIT Global 2024-2 Co., Ltd.

US\$200,000,000 Floating Rate Guaranteed Senior Unsecured Bonds due 2027

Unconditionally and Irrevocably Guaranteed by



Korea Credit Guarantee Fund

(a statutory juridical entity established in 1976 under The Credit Guarantee Fund Act of Korea of 1975, as amended, in the Republic of Korea)

Issue Price: 100.000%

The US\$200,000,000 Floating Rate Guaranteed Senior Unsecured Bonds (the “**Bonds**”) will be issued by KODIT Global 2024-2 Co., Ltd. (the “**Issuer**”) and unconditionally and irrevocably guaranteed by Korea Credit Guarantee Fund (“**KODIT**” or the “**Guarantor**” and such guarantee, the “**Guarantee**”). The Bonds constitute direct, general and unsubordinated obligations of the Issuer which will be unsecured and will rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for such as may be preferred by mandatory provision of applicable law). The Guarantee relating to the Bonds constitutes a direct, general and unconditional obligation of the Guarantor which will be unsecured and will rank *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor (save for such as may be preferred by mandatory provision of applicable law).

The Bonds will bear interest from and including 29 October 2024 (the “**Issue Date**”), payable quarterly in arrear on 29 January, 29 April, 29 July and 29 October in each year (each, an “**Interest Payment Date**”), with the first Interest Payment Date falling on 29 January 2025 in respect of the period from and including the Issue Date to but excluding such Interest Payment Date. The interest rate on the Bonds for each Interest Period will be equal to Compounded SOFR (as defined in the Conditions) plus a margin of 0.85% per annum.

Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at their outstanding principal amount on 29 October 2027 (the “**Maturity Date**”). The Bonds are subject to redemption in whole, but not in part, at their outstanding principal amount together with any accrued but unpaid interest thereon, in the event of certain changes to tax laws. See “*Terms and Conditions of the Bonds — Redemption.*”

Investing in the Bonds involves certain risks. See “Risk Factors” beginning on page 5.

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

Application will be made to the Taipei Exchange (“**TPEX**”) of the Republic of China (the “**ROC**” or “**Taiwan**”) for the listing of, and permission to sell or resell, the Bonds to “professional investors” as defined under Paragraph 1 of Article 2-1 of the Taipei Exchange Rules Governing Management of Foreign Currency Denominated International Bonds of the Republic of China (the “**TPEX Rules**”) only and such permission is expected to become effective on or about 29 October 2024. No assurance can be given that such application will be approved, or that the TPEX listing will be maintained. If the Bonds fail to, or cease to, be listed on the TPEX, certain investors may not invest in, or continue to hold or invest in, the Bonds.

The TPEX is not responsible for the content of this Offering Circular and/or any supplement or amendment thereto and no representation is made by the TPEX as to the accuracy or completeness of this Offering Circular and/or any supplement or amendment thereto. The TPEX expressly disclaims any and all liability for any losses arising from, or as a result of the reliance on, all or part of the contents of this Offering Circular and/or any supplement or amendment thereto. The admission to the listing and trading of the Bonds on the TPEX shall not be taken as an indication of the merits of the Issuer, the Guarantor or the Bonds.

The Bonds have not been, and shall not be, offered, sold or re-sold, directly or indirectly, to investors other than “professional investors” as defined under Paragraph 1 of Article 2-1 of the TPEX Rules as amended from time to time. Purchasers of the Bonds are not permitted to sell or otherwise dispose of the Bonds except by transfer to the aforementioned professional investors.

The Bonds and the Guarantee have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and, subject to certain exceptions, 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 (“**Regulation S**”) under the Securities Act), unless pursuant to an exemption from or in a transaction not subject to the registration requirements of the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds and the Guarantee and the distribution of this Offering Circular, see “*Subscription and Sale.*”

The Bonds are expected to be rated “Aa2” by Moody’s Investor Service (“**Moody’s**”). Such ratings of the Bonds do not constitute a recommendation to buy, sell or hold the Bonds and may be subject to revision or withdrawal at any time by such rating organisations. Such ratings should be evaluated independently of any other ratings of the Bonds, the Issuer’s or Guarantor’s other securities or the Issuer or Guarantor.

The Bonds will initially be represented by beneficial interests in the Global Certificate (as defined herein) in registered form which will be registered in the name of a nominee of, and shall be deposited on or about 29 October 2024 with a common depository for, Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream**”). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Bookrunner and Manager

BNP PARIBAS SA, Taipei Branch

Lead Manager

Yuanta Securities Co., Ltd.

Co-Managers

(in alphabetical order)

Cathay United Bank Co., Ltd.

KGI Securities Co. Ltd.

President Securities Corporation

CTBC Bank

Mega International Commercial Bank Co., Ltd.

SinoPac Securities Corporation

The date of this Offering Circular is 14 October 2024.

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You should rely only on the information contained in this Offering Circular. None of the Issuer, the Guarantor or the Managers (as defined in “*Subscription and Sale*”) has authorised anyone to provide you with information that is different or make any representation other than as contained in this Offering Circular in connection with the offering of the Bonds. If anyone provides you with different or inconsistent information, you should not rely on it.

You should assume the information in this Offering Circular is accurate only as of the date of this Offering Circular or such other date as specified herein. The business, financial condition, results of operations and prospects of the Issuer or the Guarantor may have changed since that date. Neither the delivery of this Offering Circular nor any sale of the Bonds made in connection with this Offering Circular will, under any circumstances, constitute a representation or create any implication that the information in this Offering Circular is correct as of any date subsequent to the date of this Offering Circular or that there have been no changes in the affairs of the Issuer or the Guarantor since the date of this Offering Circular. Statements contained in this Offering Circular as to the contents of any contract or other documents referred to in this Offering Circular may not set forth all of the terms and conditions of such contracts or other documents.

In making an investment decision, prospective investors must rely on their own examination of the Issuer and the Guarantor and the terms of the Bonds and the Guarantee, including the merits and risks involved. Neither the Issuer nor the Guarantor is making any representation to any purchaser of the Bonds regarding the legality of an investment in the Bonds by such purchaser under any legal investment or similar laws or regulations. This Offering Circular should not be considered as a recommendation or constituting an invitation or offer by the Issuer, the Guarantor or the Managers that any recipient of this Offering Circular should purchase the Bonds. You should not construe the contents of this Offering Circular as legal, business, accounting or tax advice. You should consult your own attorney, business adviser and tax adviser for legal, business and tax advice regarding an investment in the Bonds.

The Issuer and the Guarantor have furnished the information contained in this Offering Circular. No representation, undertaking or warranty, express or implied, is made by the Managers, the Agents (as defined in this Offering Circular) or any of their respective affiliates or advisers as to the accuracy or completeness of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation by the Managers, the Agents or any of their respective affiliates or advisers. None of the Managers or the Agents assume responsibility for the accuracy, adequacy, reasonableness or completeness of any of the information contained in this Offering Circular or any other information (financial, legal or otherwise) provided by the Issuer or the Guarantor in connection with the issue or distribution of the Bonds, the issue of the Guarantee or the future performance of the Bonds or the Guarantee. Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers, the Agents or any of their respective affiliates or advisers in connection with investigation of the accuracy of such information or such person’s investment decisions.

This Offering Circular may only be used where it is legal to sell the Bonds. None of the Issuer, the Guarantor or the Managers are making an offer to sell the Bonds in any jurisdiction where the offer or sale is not permitted. This Offering Circular may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction in which it is unlawful to make such an offer or solicitation. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular may come must inform themselves about and observe these relevant restrictions. No action is being taken in any jurisdiction to permit an offering to the general public of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for those purposes.

This Offering Circular is confidential. This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. This Offering Circular is personal to each prospective investor and does not constitute an offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Bonds. Distribution of this Offering Circular to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised and any disclosure of any of its contents or use of such information for any purpose other than making an investment decision, without the prior written consent of the Issuer and the Guarantor, is prohibited. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing.

The Bonds are subject to restrictions on transferability and may not be transferred or resold except as permitted under applicable U.S. federal and state securities laws pursuant to a registration statement or an exemption from

registration. Any investor who purchases the Bonds will be deemed to have made acknowledgements, representations, warranties and agreements intended to restrict the resale or other transfer of the Bonds, as set forth under “*Subscription and Sale – Transfer Restrictions.*” As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

Notification under Section 309B(1)(c) of the Securities and Futures Act 2001 of Singapore (the “SFA”) – the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded 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).

NOTICE TO CANADIAN INVESTORS

In Canada, this Offering Circular constitutes an offering of the securities only in those Canadian jurisdictions and to those persons where and to whom they may be lawfully offered for sale, and therein only by persons permitted to sell such securities. The offering of the Bonds in Canada is being made on a private placement basis in reliance on exemptions from the prospectus requirements under the securities laws of each applicable Canadian province and territory where the securities may be offered and sold, and therein may only be made with investors that are purchasing as principal and that qualify as both an “accredited investor” as such term is defined in National Instrument 45-106 *Prospectus Exemptions* or, if resident in Ontario, subsection 73.3(1) of the *Securities Act* (Ontario), and as a “permitted client” as such term is defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any offer and sale of the securities in any province or territory of Canada may only be made through a manager that is properly registered under the securities legislation of the applicable province or territory wherein the securities are offered and/or sold or, alternatively, by a manager that qualifies under and is relying upon an exemption from the registration requirements therein. Any resale of the securities must be made in accordance with applicable securities laws, which will vary depending on the relevant jurisdiction, and which may require resales to be made in accordance with exemptions from registration and prospectus requirements. Canadian purchasers are advised to seek legal advice prior to any resale of the securities.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this document (including any amendment thereto) 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 advisor.

The Managers may have an ownership, lending or other relationship with the Issuer that may cause the Issuer to be a “related issuer” or “connected issuer” to the Managers, as such terms are defined in National Instrument 33-105 – *Underwriting Conflicts* (“**NI 33-105**”). Pursuant to Sections 3A.3 and/or 3A.4, as applicable, of NI 33-105, the Managers and the Issuer are relying on an exemption from the disclosure requirements relating to the relationship between the Managers and the Issuer prescribed by Section 2.1(1) of NI 33-105.

Upon receipt of this Offering Circular, each Canadian investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur 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.*

ENFORCEABILITY OF CIVIL LIABILITIES

The Guarantor is a statutory juridical entity established in 1976 under the Credit Guarantee Fund Act of Korea of 1975, as amended (the “**Credit Guarantee Fund Act**”), in the Republic of Korea (“**Korea**”). All of the officers and directors of the Guarantor named in this Offering Circular reside in Korea, and all or a substantial portion of the assets of the Guarantor and of such officers and directors are located outside the United States.

The Issuer is a corporation with limited liability organised under the laws of Korea. All of the officers and directors of the Issuer named in this Offering Circular reside in Korea, 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 not be possible for you to effect service of process within the United States upon such persons or to enforce against them or the Issuer or the Guarantor in U.S. courts Judgements predicated upon civil liability provisions of the federal securities laws of the United States. There is doubt as to the enforceability in Korea, either in original actions or in actions for enforcement of Judgements of U.S. courts, of civil liabilities predicated on the U.S. federal securities laws.

AVAILABLE INFORMATION

Copies of the Fiscal Agency Agreement will be on file and available for inspection at the specified office of the Fiscal Agent (as defined in this Offering Circular) upon prior written request during normal office hours. In accordance with the Bonds and the Fiscal Agency Agreement, the Fiscal Agent also will make available for inspection by holders of the Bonds or, in certain cases, arrange for the mailing to such holders, certain documents or communications received from the Issuer or the Guarantor, as the case may be. See “*Terms and Conditions of the Bonds.*”

PRESENTATION OF FINANCIAL INFORMATION

The Guarantor maintains its financial books and records and prepares its financial statements in Won in accordance with the Korean National Accounting Standards in accordance with Article 11, Paragraph 1 of the National Accounting Act, which is effective as of the fiscal year 2009 (“Korean National Accounting Standards”). The Guarantor’s separate financial statements as of and for the years ended 31 December 2022 and 2023 included in this Offering Circular have been prepared in accordance with the Korean National Accounting Standards. References in this Offering Circular to “separate” financial statements and information are to financial statements and information prepared on a nonconsolidated basis. Unless otherwise specified, the Guarantor’s financial and other information included in this Offering Circular is presented on a separate basis in accordance with the Korean National Accounting Standards and does not include such information with respect to its subsidiaries.

CERTAIN DEFINED TERMS AND CONVENTIONS

All references to the “Issuer” in this Offering Circular are to KODIT Global 2024-2 Co., Ltd. and, unless otherwise specified or the context otherwise requires, its consolidated subsidiaries. All references to the “Guarantor” in this Offering Circular are references to Korea Credit Guarantee Fund (“**KODIT**”).

In this Offering Circular, all references to “Korea” or the “Republic” are to the Republic of Korea, all references to the “ROC” or “Taiwan” are to the Republic of China, all references to “U.S.” or the “United States” are to the United States of America, all references to the “PRC” or “China” are to the People’s Republic of China, all references to “Hong Kong” are to the Hong Kong Special Administrative Region of the PRC, all references to the “EU” are to the European Union and all references to the “Government” are to the government of Korea.

Unless otherwise indicated, references to “Won” and “₩” are to the currency of Korea, references to CNY, Renminbi and RMB are to the lawful currency of the PRC, references to “US\$” and “U.S. dollars” are to United States dollars, references to “GBP”, “£” and “sterling” are to pounds sterling, references to “Yen” and “¥” are to Japanese Yen and references to “EUR”, “euro” and “€” 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.

In this Offering Circular, where information has been prepared in thousands, millions or billions of units, amounts may have been rounded up or down. Accordingly, actual numbers may differ from those contained herein due to rounding. All discrepancies in any table between totals and the sums of the amounts listed are due to rounding.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes future expectations, projections or “forward-looking statements,” as defined in Section 27A of the Securities Act and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. The words “believe,” “expect,” “anticipate,” “estimate,” “project” and similar words identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular are forward-looking statements. Although the Issuer and the Guarantor believe that the expectations reflected in the forward-looking statements are reasonable, no assurance can be given that such expectations will prove correct. This Offering Circular discloses important factors that could cause actual results to differ materially from the Issuer’s or the Guarantor’s expectations, including factors that could adversely affect the future performance of the Korean economy, as described below (collectively, the “**Cautionary Statements**”). All subsequent written and oral forward-looking statements attributable to the Issuer or the Guarantor or persons acting on behalf of either of them are expressly qualified in their entirety by the Cautionary Statements.

Factors that could adversely affect the future performance of the Korean economy include:

- declines in consumer confidence and a slowdown in consumer spending, including as a result of the occurrence of severe health epidemics, such as the COVID-19 pandemic;
- hostilities, political or social tensions involving Russia (including the invasion of Ukraine by Russia and the 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;
- adverse conditions or developments in the economies of countries and regions that are important export markets for Korea, such as the United States, Europe, Japan and China, or in emerging market economies in Asia or elsewhere, including as a result of the deterioration of economic and trade relations between the United States and China and increased uncertainties in the global financial markets and industry;
- disruptions in the global supply chain for raw materials, natural resources, consumer goods, rare earth minerals, component parts and other supplies, including semiconductors;
- 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, Korea and other central banks;
- rising inflationary pressures leading to increases in the costs of goods and services and a decrease in purchasing power;
- adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including fluctuation of the U.S. dollar, the Euro or Japanese Yen exchange rates or revaluation of the Chinese Yuan and the depreciation of the Won against such currencies), interest rates, inflation rates or stock markets;
- difficulties in the financial sectors and increased sovereign default risks in select countries and the resulting adverse effects on the global financial markets;
- 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, in particular in light of the Government’s ongoing efforts to provide emergency relief payments to households and corporations in need of funding in light of the COVID-19 pandemic as well as interest rate increases which, together, would lead to an increased Government budget deficit as well as an increase in the Government’s debt;
- declines in consumer confidence and a slowdown in consumer spending including as a result of severe health epidemics, such as the COVID-19 pandemic, and increases in market interest rates;
- a continuing rise in the level of household debt and increasing delinquencies and credit defaults by retail or small- and medium-sized enterprise borrowers in Korea; r
- substantial changes in the market prices of Korean real estate;
- the continued growth of the Chinese economy, to the extent its benefits (such as increased exports to China) are outweighed by its costs (such as competition in export markets or for foreign investment and the relocation of the manufacturing base from Korea to China), as well as a slowdown in the growth of China’s economy, which is Korea’s most important export market;

- investigations of large Korean business groups and their senior management for possible misconduct;
- the economic impact of any pending or future free trade agreements or of any changes to existing free trade agreements;
- social and labour unrest;
- financial problems or lack of progress in the restructuring of Korean conglomerates, other large troubled companies, their suppliers or the financial sector;
- loss of investor confidence arising from corporate accounting irregularities or corporate governance issues at 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;
- geo-political uncertainty and risk of further attacks by terrorist groups around the world;
- 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;
- political uncertainty or increasing strife among or within political parties in Korea;
- 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 escalation of hostilities in the Middle East following the Israel-Hamas war) and Northern Africa and any material disruption in the supply of oil or sudden changes 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.

SUMMARY

The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the Bonds, see “Terms and Conditions of the Bonds” in this Offering Circular (the “**Conditions**”). Terms used and not otherwise defined in this summary have the meaning given to them in the Conditions.

Issuer	KODIT Global 2024-2 Co., Ltd., a limited liability company established under the laws of Korea. The Guarantor has established the Issuer for the purpose of providing funding to small-, medium- and large-sized enterprises in Korea.
Bonds	US\$200,000,000 Guaranteed Senior Unsecured Bonds due 2027.
Issue Price	100.000%.
Issue Date	29 October 2024.
Status of the Bonds	The Bonds constitute direct, general and unsubordinated obligations of the Issuer which will be unsecured and will rank <i>pari passu</i> with all other present and future unsecured and unsubordinated obligations of the Issuer (save for such as may be preferred by mandatory provision of applicable law).
Guarantor	Korea Credit Guarantee Fund, a statutory juridical entity established in 1976 under the Credit Guarantee Fund Act of Korea of 1975, as amended (the “ Credit Guarantee Fund Act ”), in Korea.
Guarantee	<p>The Guarantor has given for the benefit of the Holders of the Bonds an unconditional and irrevocable guarantee for the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Bonds as and when the same shall become due according to the Conditions.</p> <p>The Guarantee relating to the Bonds constitutes a direct, general and unconditional obligation of the Guarantor which will be unsecured and will rank <i>pari passu</i> with all other present and future unsecured and unsubordinated obligations of the Guarantor (save for such as may be preferred by mandatory provision of applicable law). The Guarantee will remain in full effect until the earlier of (i) the payment of all sums payable in respect of the relevant Bonds having been paid in full and (ii) the Maturity Date.</p>
Interest Commencement Date	29 October 2024.
Interest Payment Dates	29 January, 29 April, 29 July and 29 October of each year, commencing on 29 January 2025, each subject to the modified following business day convention, adjusted.
Rate of Interest	Compounded SOFR (as defined in the Conditions) plus a margin of 0.85% per annum, payable quarterly in arrear.
Day Count Fraction	Actual/360.
Maturity Date	29 October 2027.
Form and Denomination	The Bonds will be issued in registered form in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof.

Upon issue, the Global Certificate will be deposited with, and registered in the name of a nominee of, a common depository for, Euroclear and Clearstream.

Redemption at Maturity Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at their outstanding principal amount on the Interest Payment Date falling on the Maturity Date.

Redemption for Tax Reasons The Issuer may redeem the Bonds in whole, but not in part, at their outstanding principal amount together with any accrued but unpaid interest thereon, in the event that the Issuer is obliged to pay additional amounts provided in Condition 9.

Taxation All payments in respect of the Bonds by or on behalf of the Issuer will be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Republic of Korea, unless the withholding or deduction of such taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Holders after the withholding or deduction (including any withholding or deduction in respect of such payment of additional amounts) will equal the respective amounts which would otherwise have been a receivable in respect of the Bonds in the absence of the withholding or deduction.

Negative Pledge The Bonds will contain a negative pledge provision given by the Guarantor as described in Condition 5(a).

Governing Law The Bonds and the Guarantee are governed by, and will be construed in accordance with, English law.

Rating The Bonds are expected to be rated “Aa2” by Moody’s. A rating is not a recommendation to buy, sell or hold the Bonds and may be subject to revision or withdrawal at any time by the assigning rating organisations.

Fiscal Agent Citicorp International Limited.

**Paying Agent, Calculation Agent,
Registrar and Transfer Agent
(together with the Fiscal Agent, the
“Agents”)** Citibank, N.A., London Branch.

Listing Approval in-principle has been received from the SGX-ST for the listing and quotation of the Bonds on the SGX-ST. There can be no assurance, however, that the Issuer will obtain or be able to maintain a listing and quotation of the Bonds on the SGX-ST. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Bonds, if traded on the SGX-ST, will be traded in a minimum board lot size of SGD200,000 (or its equivalent in foreign currencies). Accordingly, the Bonds, if traded on the SGX-ST, will be traded in a minimum board lot size of US\$200,000.

An application will be made by the Issuer for the Bonds to be listed and admitted for trading on the TPEX. No assurance can be given that

such application will be approved, or that the TPEX listing will be maintained. Admission to the listing and trading of the Bonds on the TPEX shall not be taken as an indication of the merits of the Issuer, the Guarantor or the Bonds. Effective date of listing of and trading of the Bonds shall be on or about the Issue Date.

Use of Proceeds The Issuer intends to use the net proceeds from the issuance of the Bonds for general corporate purposes.

Selling Restrictions The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act. For additional selling restrictions in relation to other jurisdictions, see “*Subscription and Sale.*”

The Bonds have not been, and shall not be, offered, sold or re-sold, directly or indirectly, to investors other than “professional investors” as defined under Paragraph 1 of Article 2-1 of the TPEX Rules as amended from time to time. Purchasers of the Bonds are not permitted to sell or otherwise dispose of the Bonds except by transfer to the aforementioned professional investors.

Clearance and Settlement The Bonds are expected to be accepted for clearance through Euroclear and Clearstream. The ISIN and common codes for the Bonds are as follows:

ISIN: XS2910446892

Common Code: 291044689

LEI (Issuer) 988400S6U2O5J7LVF104

LEI (Guarantor) 9884001XL6IT2Z91ZA14

LISTING APPLICATION

Application will be made on behalf of the Issuer to the TPEX for the listing of, and permission to deal in, the Bonds by way of debt issues to professional investors as defined under Paragraph 1 of Article 2-1 of the TPEX Rules. The Bonds will be listed and traded on the TPEX pursuant to the applicable rules of TPEX. Effective date of listing and trading of the Bonds is on or about the Issue Date. The TPEX is not responsible for the content of this Offering Circular and/or any supplement or amendment thereto and no representation is made by the TPEX to the accuracy or completeness of this Offering Circular and/or any supplement or amendment thereto. The TPEX expressly disclaims any and all liability for any losses arising from, or as a result of the reliance on, all or part of the contents of this Offering Circular and/or any supplement or amendment thereto. Admission to the listing and trading of the Bonds on the TPEX shall not be taken as an indication of the merits of the Issuer, the Guarantor or the Bonds. No assurances can be given as to whether the Bonds will be, or will remain, listed on the TPEX. If the Bonds fail to, or cease to, be listed on the TPEX, certain investors may not invest in, or continue to hold or invest in, the Bonds.

Approval in-principle has been received from the SGX-ST for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and listing and quotation of the Bonds on, the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Guarantor or the Bonds.

NOTICES

If and for so long as the Bonds are listed on the TPEX and for so long as the rules of the TPEX so require, all notices regarding the Bonds and the Issuer required by the rules of TPEX shall also be published on a website

designated by the Taiwan Financial Supervisory Commission (currently, https://siis.twse.com.tw/e_bond.htm). For public access of this website, please visit at:

https://www.tpex.org.tw/web/bond/publish/international_bond_search/memo_org.php?l=en-us.

ROC SETTLEMENT AND TRADING

The Issuer has not entered into any settlement agreement with Taiwan Depository & Clearing Corporation (“TDCC”) and has no intention to do so.

In the future, if the Issuer enters into a settlement agreement with TDCC, an investor, if it has a securities book-entry account with a Taiwan securities broker and a foreign currency deposit account with a Taiwanese bank, may settle the Bonds through the account of TDCC with Euroclear or Clearstream if it applies to TDCC (by filing in a prescribed form) to transfer the Bonds in its own account with Euroclear or Clearstream to such TDCC account with Euroclear or Clearstream for trading in the domestic market or vice versa for trading in overseas markets. For settlement through TDCC, TDCC will allocate the respective Bonds position to the securities book-entry account designated by such investor in the ROC. The Bonds will be traded and settled pursuant to the applicable rules and operating procedures of TDCC and the TPEx as domestic bonds. For such investors who hold their interest in the Bonds through an account opened and held by TDCC with Euroclear or Clearstream, distributions of principal and/or interest for the Bonds to such holders may be made by payment services banks whose systems are connected to TDCC to the foreign currency deposit accounts of the holders. Such payment is expected to be made on the second Taiwanese business day following TDCC's receipt of such payment (due to time difference, the payment is expected to be received by TDCC one Taiwanese business day after the distribution date). However, when the holders actually receive such distributions may vary depending upon the daily operations of the Taiwanese banks with which the holder has the foreign currency deposit account.

RISK FACTORS

Prospective investors should carefully consider the risks and uncertainties described below, together with the risks described in the other sections of this Offering Circular before making any investment decision relating to the Bonds. Before making an investment decision, prospective investors should carefully consider all of the information contained in this Offering Circular, including the financial statements and the accompanying notes, which are included in this Offering Circular. Additional risks and uncertainties that the Issuer or Guarantor is not aware of or that the Issuer or Guarantor currently believes are immaterial may also adversely affect the business, financial condition or results of operations of the Issuer or Guarantor. If any of the possible events described below occur, the business, financial condition or results of operations of the Issuer or Guarantor could be materially and adversely affected. In such case, the Issuer or Guarantor may not be able to satisfy its obligations under the Bonds and investors could lose all or part of their investment. The risks described below are not the only ones that may be relevant to the Bonds.

Risks Relating to the Issuer

The Issuer is a newly incorporated company and may be dependent on funds from the Guarantor to meet obligations under the Bonds

The Issuer is a special purpose vehicle established specifically for the purpose of issuing the Bonds. It does not plan to conduct business or any other activities other than the offering, sale or issuance of the Bonds and subscribing to domestic bonds issued by small and medium-sized enterprises in Korea. The Issuer's ability to make payments under the Bonds will depend exclusively on third parties (including the Guarantor) and/or on the Issuer's receipt of timely payments of the principal and quarterly interest payments from domestic obligors whose bonds are held by the Issuer. See "Use of Proceeds." Any delay or failure by any such third parties may adversely impact the ability of the Issuer to meet its obligations in respect of the Bonds.

The Issuer may undertake operating activities in the future that diminishes its ability to meet payment obligations under the Bonds

The Issuer currently does not have any operating activities, other than entering into arrangements for the issue of debt securities and other activities incidental thereto (such activities, for the avoidance of doubt, shall include the purchase of domestic corporate bonds from the proceeds of the Offering). However, the Issuer may undertake operating activities in the future and there is no restriction under the Bonds to prevent the Issuer from doing so. Engaging in operating activities may cause the Issuer to incur additional debt or other liabilities, including but not limited to accounts payables with trade creditors, wage payables and taxes payables. Such debt or liability will rank at least *pari passu* with the Bonds. As a result, the payment obligations under the Bonds may be adversely affected. In addition, operating activities may involve operating expenses and operating losses, some of which are unforeseen. Expenses and losses could affect the Issuer's financial position. If the Issuer experiences negative cash flow from operations over a prolonged period of time, or if the Issuer suffers unexpected cash outflows, the Issuer's liquidity and ability to fulfil the payment obligations under the Bonds may be adversely affected.

Risks Relating to the Guarantor

The nature of the Guarantor

The Guarantor was established under the Credit Guarantee Fund Act as a statutory juridical entity, a public financial institution funded by the Government for implementing government financial policy. The Guarantor is operated under the direction and supervision of the National Assembly of Korea and related government ministries that include the Financial Services Commission (the "FSC"), the Ministry of Economy and Finance ("MOEF"), the Ministry of Small and Medium-Sized Enterprises and Startups ("MSS") and the Board of Audit and Inspection ("BAI"). The Guarantor is engaged in the business of, among other things, extending credit guarantees for the liabilities of small and medium-sized enterprises ("SMEs") that lack tangible collateral. As such, the Guarantor has numerous financial counterparties who owe obligations to it and to whom it owes obligations. The Guarantor 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 Bonds. The Guarantor is not a special purpose vehicle which has been established and structured for the purpose of the issuance of the 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 Guarantor are undertaken almost exclusively in Korea, though the Guarantor does have some business networks 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 Guarantor are the level of interest rates. An increase in interest rates could result in greater delinquencies and defaults by the SMEs that the Guarantor has extended credit guarantees to due to other, floating rate, debt service obligations, and such increase in interest rates could affect the demand for credit guarantees.

As a significant part of the Guarantor'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 Guarantor, in particular its ability to secure its capital fund that is composed of contributions from the Government, financial institutions and enterprises.

There can be no assurance that the economic environment in Korea will not change adversely during the term of the Bonds, with a simultaneous impact on the Guarantor'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. For more information, see "*—Risks relating to Korea—*."

The credit guarantee market for SMEs is competitive and evolving

The Guarantor competes with other providers of credit guarantees and financial products that attract SMEs in Korea. The Guarantor primarily competes with the Korea Technology Finance Corporation ("**KOTEC**") and the Regional Credit Guarantee Foundations (for sixteen regions in Korea) and has the highest market share in the Korean credit guarantee market by a large margin. The level of competition among Korea's credit guarantee providers is currently not high as Korea's credit guarantee providers supply credit guarantees to different types of entities. However, as the credit guarantee market develops, competition may increase. Furthermore, other providers of credit guarantees may have higher risk tolerances, be willing to accept lower guarantee fee rates or have other economic arrangements, which may reduce demand for the Guarantor's credit guarantees.

The Guarantor's competitors may operate with different business models, have different cost structures or participate selectively in different market segments. They may ultimately prove more successful or more adaptable to new regulatory, technological and other developments. Additionally, the Guarantor may be unable to continue to develop, acquire, implement or utilise, in a cost-effective manner, information systems and products that provide the capabilities necessary for the Guarantor to compete effectively.

If the Guarantor is unable to compete with such companies and meet the need for innovation in its industry, the demand for the Guarantor's credit guarantees could stagnate or substantially decline and/or the Guarantor could experience reduced revenue or fail to achieve or maintain more widespread market acceptance, any of which could have a material adverse effect on the Guarantor's business, results of operations, financial condition or prospects.

Providing credit guarantees to SMEs expose the Guarantor to credit risk

The Guarantor is subject to the risk of default in payment by the SMEs to which the Guarantor provides credit guarantees. More than 94.8% of the Guarantor's credit guarantees as of 31 December 2023 comprised loan guarantees and guarantees with regard to secondary financial sectors (non-banking financial institutions), which are necessary for SMEs to procure funds from banks or non-banking financial institutions. The Guarantor's credit guarantee services involve a series of interactions among the Guarantor, the debtor SMEs, and the creditors (banks, enterprises, etc.), in which the Guarantor would pay the guarantee obligation to financial institutions in place of the debtor SMEs if they default on loans. Because SMEs are likely to lack steady earnings, operate at a loss, have limited resources, and/or be more vulnerable to adverse general market or economic developments, among other concerns, providing credit guarantees to SMEs exposes the Guarantor to credit risk. This risk may in turn adversely affect the Guarantor's ability to make payments on the Bonds, and no assurance can be made that alternative sources of liquidity will protect Bondholders from all risks of losses.

Changes in liquidity

Stable sources of the Guarantor's funding include, but are not limited to, contributions from the Government and statutory contributions from financial institutions not exceeding 0.3% annually of the amount of loans of the

financial institutions that are subject to statutory contributions. The amount of such funding may fluctuate from time to time, and there can be no assurance that, in the future, the Guarantor will have access to the same levels of liquidity from the Government and financial institutions as it has in the past, which would have a bearing on the Guarantor's commercial operations.

Future changes in market conditions as well as other factors may lead to increases in delinquency levels of the Guarantor's outstanding credit guarantees

The amount of outstanding credit guarantees by the Guarantor has increased in the recent years, as the Guarantor's outstanding credit guarantees in 2021, 2022 and 2023 were ₩78,589 billion, ₩83,369 billion and ₩81,623 billion respectively.

The Guarantor's outstanding credit guarantees exposes the Guarantor to changes in economic conditions affecting Korean businesses. Accordingly, economic difficulties in Korea that hurt businesses, especially SMEs, could result in a deterioration in the credit quality of the Guarantor's credit guarantees. For example, the severe impact of the global outbreak of the COVID-19 pandemic on the Korean economy disrupted the business, activities and operations of consumers, which in turn resulted in a decrease in the number of financial transactions or the inability of the Guarantor's customers to meet existing payment or other obligations to the Guarantor. In addition, a rise in unemployment, an increase in interest rates, a downturn in the credit guarantee market, or a general contraction or other difficulties in the Korean economy that have an adverse effect on Korean SMEs could result in reduced growth and deterioration in the credit quality of the Guarantor's outstanding credit guarantees. Any such adverse changes in the market conditions, as well as other factors, may lead to the credit quality of the Guarantor's outstanding credit guarantees 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 Bonds.

Volatility in interest rates such as a considerable increase in interest rates could increase demands for credit guarantees, which, as a result, could adversely affect the Guarantor

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. Although The Bank of Korea lowered its policy rate to 3.25% from 3.50% on 11 October 2024, amid moderating inflation and household debt, there can be no assurance that interest rates will not increase again in the future.

Further, volatility in interest rates such as an increase in interest rates could increase demand for credit guarantees. A considerable rise in interest rates may therefore require the Guarantor to rebalance its assets and liabilities in order to minimise risk.

The Guarantor may be required to raise additional capital to maintain its capital fund, which the Guarantor may not be able to do at all

The capital fund of the Guarantor is the basis for supplying credit guarantees under the credit guarantee system. The operational multiple, calculated by dividing the outstanding credit guarantee by the capital fund, is an important measure that indicates the capability to provide guarantees in accordance with economic conditions and the liquidity to deal with subrogation claims of financial institutions. The Credit Guarantee Fund Act prohibits the operational multiple from outweighing 20 times. For the past 5 years, the Guarantor's operational multiple remained below 10 times, and in 2022 and 2023, the operational multiple of the Guarantor was 7.9 and 7.0, respectively. However, the Guarantor's capital fund and operational multiple may deteriorate in the future if its results of operations or financial conditions deteriorate for any reason, including defaults by SMEs. Further, it is possible that the maximum operational multiple applicable to the Guarantor may be decreased as a result of legal amendments.

If the Guarantor's statutory operational multiple is reduced, the Guarantor may need to increase its core capital fund in order to remain in compliance with the applicable requirements. However, the Guarantor may not be able to obtain additional capital at all. Financial institutions and the Government are the principal sources of equity capital for the Guarantor, and thus the Guarantor is dependent on regulatory developments regarding contributions by financial institutions and on the ability and willingness of the Government to make such capital contributions.

Government Control and Support

As described above, the Guarantor is a public financial institution supervised by the FSC and has been established and operates under the provisions of the Credit Guarantee Fund Act. The Credit Guarantee Fund Act stipulates that contributions from the Government forms part of the Guarantor's capital fund. While this level of support from the Government provides some comfort that the Guarantor will be able to meet its liabilities relating to the issuance of the Bonds, there can be no assurance that this level of support will not be reduced in the future. That said, the Guarantor plays an important public policy function in extending credit guarantees for the liabilities of SMEs 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 Credit Guarantee Fund Act.

As a Government-supervised entity with a distinct public policy mandate, there can be no assurance that the Guarantor 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 extend credit guarantees for the liabilities of SMEs in Korea. Government-mandated changes to the Guarantor's capital fund, for example, could potentially impacting its ability to pay interest on and repay the principal of the Bonds.

Other risks relating to the Guarantor's business

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

Companies in Korea, including the Guarantor, 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 practises or disclosures that are perceived as less informative and transparent than those in other countries.

The Guarantor's separate financial statements prepared under Korean National Accounting Standards in this Offering Circular may differ from those prepared under U.S. GAAP and the Guarantor does not prepare interim financial information in accordance with Korean National Accounting Standards or any financial information under U.S. GAAP

The Guarantor has included separate financial statements prepared under Korean National Accounting Standards in this Offering Circular. In addition, the Guarantor is not required to, and it does not, prepare interim financial information in accordance with Korean National Accounting Standards or any financial information under U.S. GAAP. U.S. GAAP differs in certain material respects from Korean National Accounting Standards. As a result of those differences, the Guarantor's financial results under Korean National Accounting Standards as of and for the years ended 2022 and 2023 may differ significantly from comparable figures under U.S. GAAP for these and future periods. The Guarantor 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 Guarantor to U.S. GAAP, and there can be no assurance that such reconciliation would not reveal material differences between Korean National Accounting Standards and U.S. GAAP.

The global COVID-19 pandemic and any possible occurrences of other types of widespread infectious diseases could materially and adversely affect the Guarantor's business, results of operations or financial condition.

COVID-19, an infectious disease caused by severe acute respiratory syndrome coronavirus 2, was declared a "pandemic" by the World Health Organisation in March 2020. The global outbreak of COVID-19 had led to global economic and financial disruptions and had adversely affected the Guarantor's business operations. Risks associated with COVID-19 or other types of widespread infectious diseases include:

- an increase in defaults on outstanding capital guarantees from the Guarantor's customers who may not be able to meet payment obligations, which may lead to an increase in delinquency ratios and a deterioration in asset quality;
- depreciation of the Won against major foreign currencies, which in turn may increase the Guarantor's cost in servicing its foreign currency denominated debt and result in foreign exchange losses;
- disruption in the normal operations of the Guarantor's business resulting from contraction of infectious disease by the Guarantor's employees, which may necessitate the Guarantor's employees to be quarantined and/or the Guarantor's offices to be temporarily shut down;

- disruption resulting from the necessity for social distancing, including, for example, temporary arrangements for employees to work remotely, which may lead to a reduction in labour productivity; and
- impairments in the fair value of the Guarantor’s investments in companies that may be adversely affected by the pandemic.

In the event that a future recurrence of COVID-19 or an occurrence of other types of widespread infectious diseases cannot be effectively and timely contained, the Guarantor’s business, financial condition and results of operations may be materially and adversely affected.

Chapter 2 Proceedings could adversely affect the enforcement of the credit guarantees by the Guarantor

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. 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 an enterprise receiving credit guarantees from the Guarantor files for a Chapter 2 Proceeding, the claims of the Guarantor in relation to the related credit guarantee will not be thereby adversely affected. This could in turn adversely affect the Guarantor’s ability to pay the amounts due under the Bonds when they become due for payment. There can be no assurance that the recipients of the credit guarantees 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*”.

Risks Relating to Korea

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

The Guarantor is incorporated in Korea, and almost all of the Guarantor’s revenue is generated in Korea. As a result, the Guarantor is subject to economic, political, legal and regulatory risks specific to Korea. 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 the Guarantor’s control, including developments in the global economy.

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. See “— *The global COVID-19 pandemic and any possible occurrences of other types of widespread infectious diseases could materially and adversely affect the Guarantor’s business, results of operations or financial condition.*” 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, in particular due to the COVID-19 pandemic, have contributed to the uncertainty of global economic prospects in general and have adversely affected, and may continue to adversely affect, the Korean economy. The value of the Won relative to major foreign currencies has fluctuated significantly and, as a result of uncertain global and Korean economic conditions, there has been significant volatility in the stock prices of Korean companies recently. Future declines in the Korea Composite Stock Price 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 to raise capital. Any future deterioration of the Korean economy could adversely affect the Guarantor’s business, financial condition and results of operations and the market price of the Bonds.

In recent years and in 2024, adverse conditions and volatility in the worldwide financial markets, fluctuations in oil and commodity prices and the increasing weakness of the global economy have contributed to the uncertainty

of global economic prospects in general and have adversely affected, and may continue to adversely affect, the Korean economy. See *“Other Risks Relating to the Guarantor’s Business Unfavourable changes in the global financial markets could adversely affect the Guarantor’s results of operations and financial condition.”* The value of the Won relative to major foreign currencies has also fluctuated significantly and, as a result of deteriorating global and Korean economic conditions, there recently has been significant volatility in the stock prices of Korean companies. Further declines in the Korea Composite Stock Price Index (the “**KOSPI**”), 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 to raise capital. Any future deterioration of the Korean or global economy could adversely affect the Guarantor’s business, financial condition and results of operations.

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 the occurrence of severe health epidemics, such as the COVID-19 pandemic;
- hostilities, political or social tensions involving Russia (including the invasion of Ukraine by Russia and the 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;
- adverse conditions or developments in the economies of countries and regions that are important export markets for Korea, such as the United States, Europe, Japan and China, or in emerging market economies in Asia or elsewhere, including as a result of the deterioration of economic and trade relations between the United States and China and increased uncertainties in the global financial markets and industry;
- disruptions in the global supply chain for raw materials, natural resources, consumer goods, rare earth minerals, component parts and other supplies, including semiconductors;
- 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, Korea and other central banks;
- rising inflationary pressures leading to increases in the costs of goods and services and a decrease in purchasing power;
- adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including fluctuation of the U.S. dollar, the Euro or Japanese Yen exchange rates or revaluation of the Chinese Yuan and the depreciation of the Won against such currencies), interest rates, inflation rates or stock markets;
- difficulties in the financial sectors and increased sovereign default risks in select countries and the resulting adverse effects on the global financial markets;
- 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, in particular in light of the Government’s ongoing efforts to provide emergency relief payments to households and corporations in need of funding in light of the COVID-19 pandemic as well as interest rate increases which, together, would lead to an increased Government budget deficit as well as an increase in the Government’s debt;
- declines in consumer confidence and a slowdown in consumer spending including as a result of severe health epidemics, such as the COVID-19 pandemic, and increases in market interest rates;
- a continuing rise in the level of household debt and increasing delinquencies and credit defaults by retail or small- and medium-sized enterprise borrowers in Korea; r
- substantial changes in the market prices of Korean real estate;
- the continued growth of the Chinese economy, to the extent its benefits (such as increased exports to China) are outweighed by its costs (such as competition in export markets or for foreign investment and the relocation of the manufacturing base from Korea to China), as well as a slowdown in the growth of China’s economy, which is Korea’s most important export market;
- investigations of large Korean business groups and their senior management for possible misconduct;
- the economic impact of any pending or future free trade agreements or of any changes to existing free trade agreements;

- social and labour unrest;
- financial problems or lack of progress in the restructuring of Korean conglomerates, other large troubled companies, their suppliers or the financial sector;
- loss of investor confidence arising from corporate accounting irregularities or corporate governance issues at 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;
- geo-political uncertainty and risk of further attacks by terrorist groups around the world;
- 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;
- political uncertainty or increasing strife among or within political parties in Korea;
- 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 escalation of hostilities in the Middle East following the Israel-Hamas war) and Northern Africa and any material disruption in the supply of oil or sudden changes in the price of oil; and
- an increase in the level of tensions or an outbreak of hostilities between North Korea and Korea or the United States.

Escalations in tensions with North Korea could have an adverse effect on the Guarantor

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 and ballistic missile 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 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 also conducted a series of ballistic 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 its missile tests since the beginning of 2022, firing numerous ballistic missiles, including intercontinental ballistic missiles. 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 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, the Issuer and the

Guarantor. 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, the Issuer and the Guarantor. Over the longer term, reunification of the two Koreas could occur. Reunification may entail a significant economic commitment by the Republic.

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

The Guarantor is incorporated in Korea, and substantially all of its operations are undertaken in Korea. The Guarantor's future performance will depend in large part on Korea's future economic growth. As a result, it is subject to political, economic, legal and regulatory risks specific to Korea. The economic indicators in Korea in recent years have shown mixed signs of growth and uncertainty, and future growth of the economy is subject to many factors beyond the Guarantor's control. Ongoing general economic weakness and political turbulence in Europe, signs of a cooling economy in the PRC, continuing political instability in the Middle East and volatility in oil and commodity prices increased the uncertainty of global economic prospects in general and may continue to adversely affect the Korean economy for some time. Any adverse developments in the Korean or global economy could adversely affect the Guarantor's business, financial condition and results of operations.

Financial instability in other countries, particularly emerging market countries in Asia, could adversely impact the Guarantor'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 the PRC. 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 Guarantor 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.

Exchange controls and other circumstances beyond the control of the Guarantor may result in the Guarantor being unable to obtain sufficient U.S. dollars on favourable terms or when necessary

All of the debt obligations under the credit guarantees are payable in Won. The payment of U.S. dollar amounts due under the Bonds will depend upon the ability of the Guarantor to convert payments made by the Guarantor in Won into a sufficient amount of U.S. dollars to meet payments due under the Bonds and to pay in U.S. dollars 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 Guarantor to obtain U.S. dollars or the ability of the Guarantor to transfer U.S. dollars abroad. Furthermore, delays in the conversion of Won amounts into U.S. dollars coupled with a devaluation of the Won could reduce the amount of U.S. dollars received by the Guarantor which could have an adverse effect on its ability to pay the amounts due under the Bonds when they become due for payment.

General Risks

Unfavourable changes in the global financial markets could adversely affect the Guarantor'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 COVID-19 pandemic;
- the ongoing military conflict involving Russia and Ukraine;
- a deterioration in economic and trade relations between the United States and its major trading partners, including China;
- 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;
- the slowdown of economic growth in China and other major emerging market economies;

- interest rate fluctuations as well as changes in policy rates by the U.S. Federal Reserve and other central banks; and
- political and social instability in various countries in the Middle East, including the recent Israel-Hamas war.

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 Guarantor, 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 Guarantor's business, financial condition and results of operations.

Risks Relating to the Bonds

Payments under the Guarantee may be restricted under certain circumstances.

Under the Foreign Exchange Transactions Act and Presidential Decree and Regulations under that Act and Decree, the Government may impose any necessary restrictions on the remittance of payments out of Korea such as requiring the Guarantor to obtain prior approval from the Ministry of Economy and Finance, if the Government deems that certain emergency circumstances are likely to occur including but not limited to:

- sudden fluctuations in interest rates or exchange rates;
- extreme difficulty in stabilising the balance of payments; or
- any substantial disturbance in the Korean financial or capital markets.

If the Guarantor cannot obtain prior approval from the Ministry of Economy and Finance under any such emergency circumstances, the Guarantor may not be able to make any payments under the Guarantee.

The rating assigned to the Bonds may be suspended, lowered or withdrawn in the future.

The Bonds are expected to be rated "Aa2" by Moody's. The rating assigned to the Bonds will have been based primarily on the Guarantee to be issued by the Guarantor with respect to the Bonds. Pursuant to the Guarantee, the Guarantor will unconditionally and irrevocably guarantee the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Bonds as and when such sums become due (the "**Guaranteed Amounts**"). The payment of the Guaranteed Amounts will, therefore, depend on the Guarantor performing its obligations under the Guarantee, and the likelihood of payment of the Guaranteed Amounts will depend on the creditworthiness of the Guarantor. Consequently, investors are relying not only on the creditworthiness of the Issuer but also on the creditworthiness of the Guarantor to perform its obligations under the Guarantee. A significant deterioration in the financial condition of the Guarantor could adversely affect the likelihood of investors receiving Guaranteed Amounts under the Guarantee and could result in a downgrade or withdrawal of the rating of the Bonds.

A rating is not a recommendation to buy, sell or hold the Bonds and may be subject to revision, suspension or withdrawal at any time. There can be no assurance that a rating will remain for any given period of time or that a rating will not be lowered, suspended or withdrawn entirely by the relevant rating agency if in its judgement circumstances in the future so warrant. Neither the Issuer nor the Guarantor has an obligation to inform Holders of any such revision, downgrade or withdrawal. A reduction, suspension, or withdrawal at any time of the rating assigned to the Bonds may adversely affect the market price of the Bonds or a Holder's ability to dispose of the Bonds.

The liquidity and price of the Bonds may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the Issuer's or the Guarantor's revenues, earnings and cash flows and proposals for new investments, strategic alliances and/ or acquisitions or dispositions, interest rates, fluctuations in price for comparable companies, government regulations and changes thereof applicable to the Issuer's or the Guarantor's industry, as well as general economic conditions in Korea or internationally, could cause the price of the Bonds to fluctuate. Any such developments may result in large and sudden adverse changes in the trading volume and price of the Bonds. There is no assurance that these developments will not occur in the future.

An active trading market for the Bonds may not develop.

The Bonds are expected to be listed on TPEX and SGX-ST. If the Bonds fail to, or cease to, be listed on the TPEX or SGX-ST, certain investors may not invest in, or continue to hold or invest in, the Bonds. The Bonds constitute a new issue of securities for which there is currently no existing trading market. No assurance can be given that the Issuer will obtain or be able to maintain a listing and quotation of the Bonds on the TPEX and the SGX-ST or that an active trading market for the Bonds will develop or as to the liquidity or sustainability of any such market, the ability of Holders to sell their Bonds or the price at which Holders will be able to sell their Bonds.

The Bookrunner and Manager is not obliged to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Bookrunner and Manager. Even if the Bookrunner and Manager acts as a market maker for the Bonds, the secondary market for the Bonds may be limited and there is no assurance given as to the price offered by secondary market-makers or the impact of any such quoted prices on those available in the wider market. To the extent that the Bonds become illiquid, an investor may have to hold the relevant Bonds until maturity before it is able to realise value. Investors should note that a secondary market may be affected by both legal restrictions in certain jurisdictions and by the Issuer and/or the Bookrunner and Manager purchasing or holding the Bonds.

The Bonds contain provisions regarding meetings, modification, waivers and substitution which may affect the rights of Holders.

The Conditions of the Bonds and the Fiscal Agency Agreement contain provisions for calling meetings of Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority.

The Conditions of the Bonds also provide that the Fiscal Agent may agree, without the consent of Holders, to the waiver or authorisation of any breach or proposed breach of, any of the Conditions of the Bonds or any of the provisions of the Fiscal Agency Agreement, or may agree, among other things, to make any modifications to the Bonds or the Fiscal Agency Agreement of a formal, minor or technical nature or necessary in the reasonable opinion of the Fiscal Agent to correct a manifest error or to comply with mandatory provisions of the laws of Korea.

The Bonds will be represented by Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System(s).

Bonds issued will be represented by the Global Certificate. Such Global Certificate will be deposited with a common depository for Euroclear and Clearstream (each of Euroclear and Clearstream, a “**Clearing System**”). Except in the circumstances described in the relevant Global Certificate, Holders will not be entitled to receive Bonds in definitive form (“**Definitive Certificates**”). The relevant Clearing System(s) will maintain records of the beneficial interests in the Global Certificate. While the Bonds are represented by the Global Certificate, Holders will be able to trade their beneficial interests only through the Clearing Systems.

While the Bonds are represented by the Global Certificate, the Issuer (or failing which, the Guarantor under the Guarantee) will discharge its payment obligations under the Bonds by making payments to the relevant Clearing System for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System(s) to receive payments under the relevant Bonds. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the relevant Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System(s) to appoint appropriate proxies.

The market continues to develop in relation to risk-free rates (including overnight rates) as reference rates for floating rate notes.

Investors should be aware that the market continues to develop in relation to risk-free rates, as reference rates in the capital markets and their adoption as alternatives to the relevant interbank offered rates.

The Secured Overnight Financing Rate (“**SOFR**”) is a newly established risk free-rate. For example, the New York Federal Reserve (the “**NY Federal Reserve**”) began to publish SOFR in April 2018 and although it has also begun publishing historical indicative SOFR going back to 2014, such historical indicative data inherently involves assumptions, estimates and approximations. Therefore, SOFR has a limited performance history and the future performance of SOFR is impossible to predict. As a consequence, no future performance of SOFR or the Bonds may be inferred from any of the hypothetical or actual historical performance data. In addition, investors should be aware that SOFR may behave materially differently to interbank offered rates as interest reference rates. For example, since publication of SOFR began, daily changes in SOFR have, on occasion, been more volatile than daily changes in comparable benchmarks or other market rates.

In addition, market conventions for calculating the interest rate for bonds referencing risk-free rates continue to develop and market participants and relevant working groups are exploring alternative reference rates based on risk-free rates. For example, on 2 March 2020, the NY Federal Reserve, as administrator of SOFR, began publishing the SOFR Compounded Index. Accordingly, the specific formula for calculating the rate used in the Bonds may not be widely adopted by other market participants, if at all. If the market adopts a different calculation method, it could adversely affect the market price of the Bonds.

Interest on the Bonds is only capable of being determined immediately prior to the relevant Interest Payment Date. It may be difficult for investors in the Bonds to reliably estimate the amount of interest which will be payable on the Bonds. Further, if the Bonds become due and payable as a result of an event of default under Condition 10, or are otherwise redeemed early on a date which is not an Interest Payment Date, the rate of interest payable for the final Interest Period in respect of the Bonds shall only be determined on the date which the Bonds become due and payable and shall not be reset thereafter. Investors should consider these matters when making their investment decision with respect to the Bonds.

SOFR is published and calculated by third parties based on data received from other sources and the Issuer or the Guarantor has no control over their respective determinations, calculations or publications. There can be no guarantee that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in the Bonds (or that any applicable benchmark fallback provisions provided for in the Conditions will provide a rate which is economically equivalent for Bondholders). The Federal Reserve doesn’t have an obligation to consider the interests of Bondholders in calculating, adjusting, converting, revising or discontinuing SOFR. If the manner in which SOFR is calculated is changed, that change may result in a reduction of the amount of interest payable on the Bonds and the trading prices of the Bonds.

The market or a significant part thereof may adopt an application of risk-free rates that differs significantly from that set out in the Conditions and used in relation to the Bonds. Investors should carefully consider how any mismatch between the adoption of such reference rates 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 the Bonds.

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 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.

The Credit Guarantee Fund Act

See “*The Credit Guarantee Fund Act of Korea.*”

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.

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% 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% 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% 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.

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), 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 as amended from time to time 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, the main Creditor Financial Institution of a Failing Company is required to take or arrange one of the following actions 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:

- convocation of the first meeting of the Creditor Committee to decide whether to commence the management of the Failing Company by the Creditor Committee; or
- assumption of management of the Failing Company by the main Creditor Financial Institution.

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 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% 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% of the outstanding credit, the resolution shall be passed by an approval of not less than 40% 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% 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 (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 (g) 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 such officer. 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 short of certain standards and it is deemed to be a credit risk or to 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. 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.

Enforcement of English Judgements in Korea

A judgement duly obtained in the courts of England 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 was duly served with a 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, 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) in light of the substance of such judgement and the procedures of litigation, recognition of 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 (ii) the requirements for the recognition of a foreign judgement in England, which had issued such judgement are neither manifestly inequitable nor substantially different in material respects from the requirements for recognition of a foreign judgement in Korea.

THE CREDIT GUARANTEE FUND ACT OF KOREA

The following describes elements of the Credit Guarantee Fund Act that relate to the issuance of the Bonds. It is not a complete summary of the Credit Guarantee Fund Act.

The Bonds are guaranteed by the Guarantor pursuant to the Guarantee provided by the Guarantor in accordance with the Credit Guarantee Fund Act. The principal provisions of the Credit Guarantee Fund Act that relate to the provision of the Guarantee for the Bonds are summarised below.

The Guarantor was established in 1976 pursuant to the Credit Guarantee Fund Act for the purpose of assisting corporate financing by providing guarantees for indebtedness owed by entities with limited abilities to provide security. For further information in respect of the Guarantor, see “*The Guarantor.*”

As a primary means to achieve this goal, the Guarantor may perform general credit guarantee services, including provision of guarantee for certain payment obligations to finance institutions, bonds and other obligations, as set out under the Credit Guarantee Fund Act, and may also re-guarantee or provide guarantee for special purpose companies as a special form of such guarantees.

The Credit Guarantee Fund Act provides for the establishment of the Guarantor and sets out: the scope of KODIT’s business; its management structure; the methods of how KODIT provides guarantees to the relevant companies; prescribed scope of certain payment obligations and bonds that can be guaranteed by the Guarantor; the fundamental property of the Guarantor is consisted of (including contributions from the Government); and the accounting methods of the Guarantor. Specifically, Article 25 of the Credit Guarantee Fund Act sets forth the limit on the total amount of general credit guarantees, re-guarantees and special purpose company guarantees that the Guarantor may provide, and the limit on such credit guarantees or re-guarantees that the Guarantor may provide to the same entity. In addition, Article 23-3(2) of the Credit Guarantee Fund Act sets forth the limit on the domestic corporate bonds that the Originator may subscribe for from the same entity with respect to the guarantee for special purpose companies. The Bonds satisfy both the necessary requirements to be classified as the securities, which can be guaranteed by the Guarantor pursuant to Article 23-3 of the Credit Guarantee Fund Act and the aforementioned guarantee limits.

TERMS AND CONDITIONS OF THE BONDS

The issue of the Bonds of the Issuer guaranteed by the Guarantor was authorised by a written resolution of the Issuer passed on 16 October 2024. A fiscal agency agreement dated 29 October 2024 (the “**Fiscal Agency Agreement**”) has been entered into in relation to the Bonds between the Issuer, the Guarantor, Citicorp International Limited as fiscal agent (the “**Fiscal Agent**”) and Citibank, N.A., London Branch as registrar (the “**Registrar**”), transfer agent (the “**Transfer Agent**”) and calculation agent (the “**Calculation Agent**”) and any other agent or agents appointed from time to time with respect to the Bonds. The Bonds have the benefit of a Deed of Covenant (the “**Deed of Covenant**”) dated 29 October 2024 executed by the Issuer relating to the Bonds and a Deed of Guarantee (the “**Deed of Guarantee**”) dated 29 October 2024 executed by the Guarantor. The fiscal agent, the registrar, the calculation agent and any transfer agent for the time being are referred to below respectively as the “**Fiscal Agent**”, the “**Registrar**”, the “**Calculation Agent**” and the “**Transfer Agents**”. “**Agents**” means the Fiscal Agent, the Registrar, the Calculation Agent, the Transfer Agents and any other agent or agents appointed from time to time with respect to the Bonds. The Fiscal Agency Agreement includes the form of the Bonds. Copies of the Fiscal Agency Agreement, the Deed of Covenant and the Deed of Guarantee are available to the Bondholders following prior written request and satisfactory proof of holding during normal business hours from the specified offices of the Fiscal Agent. The holders of the Bonds (the “**Bondholders**”) are deemed to have notice of all the provisions of the Fiscal Agency Agreement applicable to them.

All capitalised terms that are not defined in these terms and conditions (the “**Conditions**”) will have the meanings given to them in the Fiscal Agency Agreement.

1 Form, Specified Denomination and Title

The Bonds are issued in the specified denomination of U.S.\$200,000 and in integral multiples of U.S.\$1,000 in excess thereof.

The Bonds are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 3(a), each Certificate shall represent the entire holding of Bonds by the same holder.

Title to the Bonds shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Fiscal Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Bond shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, “**Bondholder**” and “**holder**” means the person in whose name a Bond is registered.

2 Guarantee

Guarantee: The Guarantor has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums expressed to be payable by the Issuer under the Bonds. The Guarantor’s obligations in that respect (the “**Guarantee**”) are set out in the Deed of Guarantee.

3 Transfers of Bonds

(a) **Transfer:** A holding of Bonds may, subject to Condition 3(e), be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Bonds scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar. A copy of the current regulations will be made available by the Registrar to any Bondholder upon written request and satisfactory proof of holding.

Transfers of interests in Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

- (b) **Exercise of Options in Respect of Bonds:** In the case of an exercise of an Issuer's or Bondholders' option in respect of a holding of Bonds represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Bonds of the same holding having different terms, separate Certificates shall be issued in respect of those Bonds of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.
- (c) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 3(a) or Condition 3(b) shall be available for delivery within three business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 3(c), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).
- (d) **Transfer or Exercise Free of Charge:** Certificates, on transfer or exercise of an option, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment (or the giving of such indemnity and/or security and/or pre-funding as the Issuer or any Agent may require) of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).
- (e) **Closed Periods:** No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Bond, (ii) after any such Bond has been called for redemption, or (iii) during the period of seven days ending on (and including) any Record Date.

4 Status

The Bonds constitute unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The Guarantee constitutes (subject to Condition 5) unsecured obligations of the Guarantor and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds and of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 5, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations including liabilities in respect of deposits.

5 Certain Covenants

- (a) **Negative Pledge:** So long as any Bond remains outstanding (as defined in the Fiscal Agency Agreement), the Guarantor will not create or have outstanding, and will ensure that none of its Subsidiaries will create or have outstanding, any Security Interest, other than any Permitted Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Bonds the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of the Bondholders.
- (b) **Consolidation, Merger and Sale of Assets:** The Guarantor, without the consent of the Bondholders, may consolidate with, or merge into, or sell, transfer, lease or convey its assets substantially as an entirety (each, a "**transaction**") to any corporation organised under the laws of the Republic of Korea ("**Korea**"), provided that (x) any successor corporation expressly, or by operation of law, assumes the Guarantor's obligations under the Guarantee and the Fiscal Agency Agreement, (y) after giving effect

to the transaction, no Event of Default and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing, and (z) if, as a result of any such transaction, properties or assets of the Guarantor or a Subsidiary would become subject to any mortgage, charge, pledge, encumbrance or other security interest which would not be permitted under these Conditions, the Guarantor or such successor corporation, as the case may be, shall take such steps as shall be necessary effectively to secure the Bonds (together with, if the Guarantor shall so determine, any other indebtedness of the Guarantor or such Subsidiary then existing or thereafter created which is not subordinate to the Bonds) equally and ratably with (or prior to) all indebtedness secured thereby.

(c) **Certain Definitions:**

“**Permitted Security Interest**” means (1) any Security Interest existing as of the date of the Fiscal Agency Agreement, (2) any Security Interest existing on any assets or property prior to the acquisition thereof by the Guarantor or any of its Subsidiaries or arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition; (3) any Security Interest on any assets or property securing Relevant Indebtedness incurred or assumed for the purpose of financing the purchase price thereof or the cost of construction, improvement or repair of all or any part thereof, provided that such Security Interest attaches to such assets or property concurrently with or within 12 months after the acquisition thereof or completion of construction, improvement or repair thereof; (4) any Security Interest securing Relevant Indebtedness owing to the Guarantor or to a Subsidiary; and (5) any Security Interest arising out of the refinancing, extension, renewal or refunding of any Relevant Indebtedness secured by any Security Interest permitted by any of the foregoing paragraphs, provided that such Relevant Indebtedness is not increased and is not secured by any additional property;

“**person**” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organisation or government or any agency or political subdivision thereof;

“**Relevant Indebtedness**” means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities (but excluding for the avoidance of doubt, instruments commonly referred to as transferable loan certificates) which (a) either are by their terms payable, or confer a right to receive payment, in any currency other than Korean Won or are denominated in Korean Won and more than 50 per cent. of the aggregate principal amount thereof is initially distributed outside Korea by or with the authorisation of the Guarantor; (b) for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market outside Korea and (c) are not (i) securities issued in accordance with a securitisation plan pursuant to the Asset-Backed Securitisation Act of Korea (or other similar laws of Korea); (ii) securities or instruments serviced primarily by the cash flows of a discrete pool of receivables or other financial assets, either fixed or revolving, that by their terms convert into cash within a finite period and which are commonly regarded as asset-backed securities; or (iii) derivatives linked securities as defined in the Financial Investment Services and Capital Markets Act of Korea;

“**Security Interest**” means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; and

“**Subsidiary**” means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Issuer or the Guarantor, as the case may be.

6 Interest

The Bonds bear interest on their outstanding principal amount from and including 29 October 2024, payable quarterly in arrear on 29 January, 29 April, 29 July and 29 October in each year (each, an “**Interest Payment Date**”). Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at the rate calculated in accordance with these Conditions (both before and after judgement) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (b) the day seven days after the Fiscal Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of actual number of days in the Interest Period divided by 360.

In these Conditions, the period beginning on and including 29 October 2024 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 is called an “**Interest Period**”.

The interest rate on the Bonds for each Interest Period will be equal to Compounded SOFR (as defined below) plus a margin of 0.85 per cent. per annum. In no event will the interest on the Bonds be less than zero.

Interest in respect of any Bond shall be calculated per U.S.\$1,000 in principal amount of the Bonds (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

“**Compounded SOFR**” means the rate of return of a daily compound interest investment (with the daily secured overnight financing rate as the reference rate for the calculation of interest) and will be determined by the Calculation Agent on the relevant Interest Payment Determination Date in accordance with the following formula, and the resulting percentage will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005 being rounded upwards (e.g., 9.876541 per cent. (or 0.09876541) being rounded down to 9.87654 per cent. (or 0.0987654) and 9.876545 per cent. (or 0.09876545) being rounded up to 9.87655 per cent. (or 0.0987655)):

$$\left(\prod_{i=1}^{d_0} \left(1 + \frac{SOFR_{i-5USBD} \times n_i}{360} \right) - 1 \right) \times \frac{360}{d}$$

where:

“*d*” means the number of calendar days in the relevant Interest Period;

“*d*₀” for any Interest Period, means the number of U.S. Government Securities Business Days in the relevant Interest Period;

“*i*” means a series of whole numbers ascending from one to do, representing each relevant U.S. Government Securities Business Day from (and including) the first U.S. Government Securities Business Day in the relevant Interest Period;

“*n*_{*i*}” for any U.S. Government Securities Business Day “*i*” in the relevant Interest 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 for which SOFR_{*i*-5USBD} applies;

“SOFR_{*i*-5USBD}” means the SOFR Reference Rate for the U.S. Government Securities Business Day (being a U.S. Government Securities Business Day falling in the relevant Interest Period) falling five U.S. Government Securities Business Days prior to the relevant U.S. Government Securities Business Day “*i*”; and

“SOFR Reference Rate” means, in respect of any U.S. Government Securities Business Day, a reference rate equal to the daily secured overnight financing rate (“SOFR”) for such U.S. Government Securities Business Day as provided by the Federal Reserve Bank of New York, as the administrator of such rate (or any successor administrator of such rate) on the website of the Federal Reserve Bank of New York currently at <http://www.newyorkfed.org>, or any successor website of the Federal Reserve Bank of New York (the “New York Fed’s Website”) in each case, on or about 5:00 p.m., New York City time, on the U.S. Government Securities Business Day immediately following such U.S. Government Securities Business Day (the “SOFR Determination Time”).

Notwithstanding anything to the contrary in the documentation relating to the Bonds, if the Calculation Agent determines on or prior to the relevant Reference Time that a Benchmark Transition Event and its related Benchmark Replacement Date (each as defined below) have occurred with respect to determining Compounded SOFR, then the benchmark replacement provisions set forth will thereafter apply to all determinations of the rate of interest payable on the Bonds.

For the avoidance of doubt, in accordance with the benchmark replacement provisions, after a Benchmark Transition Event and its related Benchmark Replacement Date have occurred, the interest payable for each Interest Period on the Bonds will be an annual rate equal to the sum of the Benchmark Replacement (as defined below) and the applicable margin.

Effect of Benchmark Transition Event

- (a) ***Benchmark Replacement.*** If the Calculation Agent determines that a Benchmark Transition Event and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any determination of the Benchmark on any date, the Benchmark Replacement will replace the then-current Benchmark for all purposes relating to the Bonds in respect of such determination on such date and all determinations on all subsequent dates.
- (b) ***Benchmark Replacement Conforming Changes.*** In connection with the implementation of a Benchmark Replacement, the Calculation Agent will have the right to make Benchmark Replacement Conforming Changes from time to time.
- (c) ***Decisions and Determinations.*** Any determination, decision or election that may be made by the Calculation Agent or the Issuer pursuant to the benchmark replacement provisions described herein, including any determination with respect to 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:
 - i. will be conclusive and binding absent manifest error and, notwithstanding anything to the contrary herein and the accompanying Offering Circular relating to the Bonds;
 - ii. if made by the Issuer, will be made in the Issuer's sole discretion;
 - iii. if made by the Calculation Agent, will be made after consultation with the Issuer, and the Calculation Agent will not make any such determination, decision or election to which the Issuer objects; and
 - iv. shall become effective without consent from any other party.

Any determination, decision or election pursuant to the benchmark replacement provisions not made by the Calculation Agent will be made by the Issuer on the basis as described above. The Calculation Agent shall have no liability for not making any such determination, decision or election. In addition, the Issuer may designate an entity (which may be the Issuer's affiliate) to make any determination, decision or election that the Issuer has the right to make in connection with the benchmark replacement provisions set forth herein.

Certain Defined Terms

"Benchmark" means, initially, Compounded SOFR, as such term is defined above; provided that if a Benchmark Transition Event and its related Benchmark Replacement Date have occurred with respect to Compounded SOFR or the then-current Benchmark, then ***"Benchmark"*** means the applicable Benchmark Replacement.

"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.

- (1) the sum of: (a) the alternate rate of interest that has been selected or recommended by the Relevant Governmental Body as the replacement for the then-current Benchmark and (b) the Benchmark Replacement Adjustment;
- (2) the sum of: (a) the ISDA Fallback Rate and (b) the Benchmark Replacement Adjustment; or
- (3) the sum of: (a) the alternate rate of interest that has been selected by the issuer or its designee as the replacement for the then-current Benchmark giving due consideration to any industry-accepted rate of interest as a replacement for the then-current Benchmark for U.S. dollar-denominated floating rate notes at such time and (b) 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:

- (1) the spread adjustment (which may be a positive or negative value or zero), or method for calculating or determining such spread adjustment that has been selected or recommended by the Relevant Governmental Body for the applicable Unadjusted Benchmark Replacement;
- (2) if the applicable Unadjusted Benchmark Replacement is equivalent to the ISDA Fallback Rate, then the ISDA Fallback Adjustment; and
- (3) the spread adjustment (which may be a positive or negative value or zero) that has been selected by the Issuer 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 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 definitions or interpretations of interest period, the timing and frequency of determining rates and making payments of interest, the rounding of amounts or tenors, and other administrative matters) that the Issuer decides may be appropriate to reflect the adoption of such Benchmark Replacement in a manner substantially consistent with market practise (or, if the Issuer decides that adoption of any portion of such market practise is not administratively feasible or if the Issuer determines that no market practise for use of the Benchmark Replacement exists, in such other manner as the Issuer determines is reasonably practicable).

“*Benchmark Replacement Date*” means the earliest to occur of the following events with respect to the then-current Benchmark:

- (1) in the case of clause (1) or (2) of the definition of “Benchmark Transition Event,” the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of the Benchmark permanently or indefinitely ceases to provide the Benchmark; or
- (2) in the case of clause (3) of the definition of “Benchmark Transition 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.

For the avoidance of doubt, for purposes of the definitions of Benchmark Replacement Date and Benchmark Transition Event, references to Benchmark also include any reference rate underlying such Benchmark.

“*Benchmark Transition Event*” means the occurrence of one or more of the following events with respect to the then-current Benchmark:

- (1) a public statement or publication of information by or on behalf of the administrator of the Benchmark announcing that such administrator has ceased or will cease to provide the Benchmark, 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;
- (2) a public statement or publication of information by the regulatory supervisor for the administrator of the Benchmark, the central bank for the currency of the Benchmark, an insolvency official with jurisdiction over the administrator for the Benchmark, a resolution authority with jurisdiction over the administrator for the Benchmark 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 has ceased or will cease to provide the Benchmark 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
- (3) 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.

“*Interest Payment Determination Date*” means the date three U.S. Government Securities Business Days before each Interest Payment Date.

“*U.S. Government Securities Business Day*” means any day except for a Saturday, a 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 purposes of trading in U.S. government securities.

“*Federal Reserve Bank of New York’s Website*” means the website of the Federal Reserve Bank of New York, currently at <http://www.newyorkfed.org>, or any successor source.

“*ISDA Definitions*” means the 2006 ISDA 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 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 Benchmark for the applicable tenor excluding the applicable ISDA Fallback Adjustment.

“*Reference Time*” with respect to any determination of the Benchmark means (1) if the Benchmark is Compounded SOFR, the SOFR Determination Time, as such time is defined above, and (2) if the Benchmark is not Compounded SOFR, the time determined by the Calculation Agent in accordance with the Benchmark Replacement Conforming Changes.

“*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.

“*Unadjusted Benchmark Replacement*” means the Benchmark Replacement excluding the Benchmark Replacement Adjustment.

The interest rate and amount of interest to be paid on the Bonds for each Interest Period will be determined by the Calculation Agent. Citibank, N.A., London Branch is currently serving as the Issuer’s Calculation Agent; however, the Issuer may change the Calculation Agent at any time without notice, and Citibank, N.A., London Branch may resign as Calculation Agent at any time upon sixty (60) days’ written notice to the Issuer. All determinations made by the Calculation Agent shall, in the absence of manifest error, be conclusive for all purposes and binding on the Issuer and the holders of the Bonds. So long as Compounded SOFR is required to be determined with respect to the Bonds, there will at all times be a Calculation Agent. In the event that any then acting Calculation Agent shall be unable or unwilling to act, or that such Calculation Agent shall fail duly to establish Compounded SOFR for any interest period, or the Issuer proposes to remove such Calculation Agent, the Issuer shall appoint another Calculation Agent.

7 Redemption and Purchase

- (a) **Final Redemption:** Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Interest Payment Date on or nearest to 29 October 2027. The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition.
- (b) **Redemption for Taxation and other Reasons:** The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders (which notice shall be irrevocable), at their principal amount, (together with interest accrued to the date fixed for redemption), if (i) the Issuer (or if the Guarantee were called, the Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of Korea or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 14 October 2024, and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) 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 (or the Guarantor, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due. Prior to the publication of any notice of redemption pursuant to this Condition 7(b), the Issuer (or the Guarantor, as the case may be)

shall deliver to the Fiscal Agent a certificate signed by two authorised persons of the Issuer or the Guarantor, as the case may be, stating that the Issuer or the Guarantor, as the case may be, is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer (or the Guarantor, as the case may be) so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such additional amounts as a result of such change or amendment. The Fiscal Agent shall be protected and shall have no liability to any Bondholder or any other person for so accepting and relying on such certificate or opinion.

- (c) **Change of Control:** at any time following the occurrence of a Change of Control, each Bondholder will have the right, at such Bondholder's option, to require the Issuer to redeem all, but not some only, of such Bondholder's Bonds on the Change of Control Put Date at their principal amount, together with accrued interest up to, but excluding the Change of Control Put Date. To exercise such right, the Bondholder of the relevant Bond must deposit at the office of the Fiscal Agent a duly completed and signed notice of redemption (a "**Change of Control Put Exercise Notice**"), together with the relevant Bonds to be redeemed by not later than 60 days following a Change of Control, or, if later, 60 days following the date upon which notice thereof is given to the Bondholder by the Issuer in accordance with Condition 15. The "Change of Control Put Date" shall be the 14th day after the expiry of such period of 60 days as referred to above.

A Change of Control Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds that are the subject of such Change of Control Put Exercise Notices delivered as aforesaid on the Change of Control Put Date. The Guarantor shall give notice to the Issuer by not later than seven days following the first day on which it becomes aware of the occurrence of a Change of Control. The Issuer shall give notice to the Bondholders and the Fiscal Agent in accordance with Condition 15 by not later than seven days following the date of receipt of such notice from the Guarantor of the occurrence of a Change of Control, which notice shall specify the procedure for exercise by the Bondholders of their rights to require redemption of the Bonds pursuant to this Condition 7(c).

In these Conditions:

a "**Change of Control**" occurs when Korea ceases to control (directly or indirectly) the Guarantor or for any reason fails to provide the financial support to the Guarantor stipulated by Article 41 of The Korea Credit Guarantee Fund Act of 1975, as amended ("Article 41") or Article 41 is amended in a manner which prejudices the rights of the Holders, or is repealed; and

"**control**" means the right to appoint and/or remove all or the majority of the members of the Guarantor's board of directors or other governing body, whether obtained directly or indirectly, by way of (i) contract or (ii) otherwise.

- (d) **Purchase:** the Issuer, the Guarantor and each of their Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Condition 13(a).
- (e) **Cancellation:** All Certificates representing Bonds purchased by or on behalf of the Issuer, the Guarantor and each of their Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Bonds shall be discharged.

8 Payments

(a) **Method of Payment:**

- (i) Payments of principal shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in paragraph (ii) below.
- (ii) Interest on each Bond shall be paid to the person shown on the Register at the close of business on the business day before the due date for payment thereof (the "**Record Date**"). Payments of

interest on each Bond shall be made in the relevant currency and may be made by transfer to an account in the relevant currency maintained by the payee with a bank. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank.

- (iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear Bank SA/NV, Clearstream Banking S.A. or an Alternative Clearing System (as defined in the form of the Global Certificate), each payment in respect of the Global Certificate will be made to the person shown as the holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where “Clearing System Business Day” means a weekday (Monday to Friday, inclusive) except 1 January and 25 December.

- (b) **Payments subject to Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment. No commission or expenses shall be charged to the Bondholders in respect of such payments.
- (c) **Payment Initiation:** Where payment is to be made by transfer to an account in the relevant currency, payment instructions (for value the due date, or if that is not a Business Day, for value the first following day which is a Business Day) will be initiated, and, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a day on which the Fiscal Agent is open for business and on which the relevant Certificate is surrendered.
- (d) **Appointment of Agents:** The Fiscal Agent, the Registrar and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the Registrar and the Transfer Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer and the Guarantor reserve the right at any time to vary or terminate the appointment of the Fiscal Agent, the Registrar or any Transfer Agent and to appoint additional or other Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar, (iii) a Transfer Agent and (iv) such other agents as may be required by any other stock exchange on which the Bonds may be listed.

Notice of any such change or any change of any specified office shall promptly be given to the Bondholders by the Issuer in accordance with Condition 15.

- (e) **Delay in Payment:** Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a business day, if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so) or if a cheque mailed in accordance with Condition 8(a)(ii) arrives after the due date for payment.
- (f) **Non-Business Days:** If any date for payment in respect of any Bond is not a business day, the Bondholder shall not be entitled to payment until the next following business day (and interest thereon will continue to accrue to but excluding such succeeding business day), unless the next succeeding business day is in the next succeeding calendar month, in which case such Interest Payment Date shall be the immediately preceding business day and interest shall accrue to but excluding such preceding business day. If the maturity date or a redemption date for the Bonds would fall on a day that is not a business day, the payment of interest and principal will be made on the next succeeding business day, but no additional interest shall accrue and be paid unless the Issuer fails to make payment on such next succeeding business day. In this Condition 8, “business day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in Seoul, New York, London, Hong Kong and Taipei.

9 Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Bonds or by or on behalf of the Guarantor in respect of the Guarantee shall be made free and clear of, and without withholding

or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by Korea or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event the Issuer or, as the case may be, the Guarantor shall pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Bond:

- (a) held by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with Korea other than the mere holding of the Bond; or
- (b) in respect of which the certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days.
- (c) in respect of any taxes that would not have been so withheld or deducted but for the failure of the Bondholder or a beneficial owner of the Bonds to comply with a request by the Issuer or the Fiscal Agent to satisfy any certification, identification or other reporting requirements, imposed as a precondition to exemption from or reduction in the rate of such taxes, concerning nationality, residence or connection with the Relevant Jurisdiction; provided that at least 30 calendar days prior to the first payment date with respect to which compliance with such certification, identification or other reporting requirement is required, the Bondholder has been notified by the Issuer or the Fiscal Agent that such compliance is required;
- (d) in respect of any estate, inheritance, gift, sales, transfer, personal property or other similar taxes;
- (e) in respect of any taxes payable other than by withholding or deduction; or
- (f) in respect of any combination of paragraphs (a) through (e) above.

Notwithstanding any other provision of the Conditions, any amounts to be paid on the Bonds by or on behalf of the Issuer, or on the Guarantee by or on behalf of the Guarantor, 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 practises implementing such an intergovernmental agreement) (any such withholding or deduction, a “**FATCA Withholding**”). Neither the Issuer, the Guarantor nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

“**Relevant Date**” in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Bondholders that, upon further surrender of the Certificate representing such Bond being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender; and

“**Relevant Jurisdiction**” means Korea or any political subdivision or any authority thereof or therein having power to tax.

None of the Agents shall in any event be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 9 or for determining whether such amounts are payable or the amount thereof, and nor will any Agent be responsible or liable for any failure by the Issuer or the Bondholders or any other person to pay such tax, duty, charges, withholding or other payment or be responsible to provide any notice or information in relation to the Bonds in connection with payment of such tax, duty, charges, withholding or other payment.

10 Events of Default

If any of the following events (“**Events of Default**”) occurs, the Holder of any Bonds then outstanding may give written notice to the Issuer (with a copy to the Fiscal Agent) that such Bonds immediately becomes due and payable at their principal amount together (if applicable) with any accrued but unpaid interest:

- (a) **Non-Payment:** the Issuer and/or the Guarantor fails to pay the principal of or any interest on any of the Bonds when due and such failure continues for a period of seven days in the case of principal and 14 days in the case of interest; or

- (b) **Breach of Other Obligations:** the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations in the Bonds or the Guarantee which default is incapable of remedy or is not remedied within 30 days after notice of such default shall have been given to the Fiscal Agent at its specified office by any Bondholder; or
- (c) **Guarantee:** the Guarantee ceases to be in full force and effect or the validity of the Guarantee is contested by the Guarantor or the Guarantor denies any of the Guarantor's obligations under the Guarantee or it is or will become unlawful for the Guarantor to perform or comply with any of its obligations under or in respect of the Guarantee or the Fiscal Agency Agreement or any of such obligations shall be or become unenforceable or invalid; or
- (d) **Cross-Default:** (i) any other present or future indebtedness of the Issuer or any of its Subsidiaries or the Guarantor or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or any of its Subsidiaries or the Guarantor or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(d) have occurred equals or exceeds U.S.\$20,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates); or
- (e) **Insolvency:** the Issuer or any of its Subsidiaries or the Guarantor or any of its Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of the Issuer or any of its Subsidiaries or the Guarantor or any of its Subsidiaries; or
- (f) **Winding-up:** an order is made or an effective resolution passed for the winding-up or dissolution of the Issuer or any of its Subsidiaries or the Guarantor or any of its Subsidiaries, or the Issuer or the Guarantor ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Subsidiary, whereby the undertaking and assets of the Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries or the Guarantor or another of its Subsidiaries, as the case may be; or
- (g) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds, (ii) to enable the Guarantor lawfully to enter into, exercise its rights and perform and comply with its obligations under the Guarantee, (iii) to ensure that those obligations are legally binding and enforceable and (iv) to make the Bonds and the Guarantee admissible in evidence in the courts of Korea is not taken, fulfilled or done; or
- (h) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under the Bonds or for the Guarantor to perform or comply with any one or more of its obligations under the Guarantee; or
- (i) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs of this Condition 10.

11 Prescription

Claims against the Issuer or the Guarantor for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

12 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or such other Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to 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, indemnity, prefunding and otherwise as the Issuer, the Registrar or the relevant Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

13 Meetings of Bondholders and Modification and Substitution

- (a) **Meetings of Bondholders:** The Fiscal Agency Agreement contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing a clear majority in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, or (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent, or at any adjourned meeting not less than 25 per cent, in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Fiscal Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Bonds outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

- (b) **Modification of the Fiscal Agency Agreement:** The Issuer and the Guarantor shall only permit any modification of, without the consent of the Bondholders, to these Conditions or any of the provisions of the Fiscal Agency Agreement either (i) for the purpose of curing any ambiguity or of curing, correcting or supplementing any manifest or proven error or any other defective provision contained herein or therein or (ii) in any other manner which is not materially prejudicial to the interests of the Bondholders. Any determination as to prejudice applying to the interests of the Bondholders pursuant to this Condition shall be made by the Issuer and none of the Agents shall have any responsibility or liability whatsoever with respect to such determinations. Any modification shall be binding on the Bondholder and shall be notified by the Issuer to the Bondholder as soon as practicable thereafter in accordance with Condition 15.

14 Further Issues

To the extent permitted by applicable laws and regulations of the Republic of China (the “**ROC**”) and subject to the receipt of all necessary regulatory and listing approvals from the relevant authorities, including but not limited to the Taipei Exchange (the “**TPEX**”) and the Taiwan Securities Association (the “**TSA**”), the Issuer may from time to time, without the consent of the existing Bondholders, create and issue additional bonds under the Fiscal Agency Agreement having the same terms and conditions in all respects except for issue date and issue price. To the extent permitted by applicable laws and regulations of the ROC and subject to the receipt of all necessary regulatory and listing approvals from the relevant authorities, including but not limited to the TPEX and the TSA, additional bonds issued will be consolidated with and form a single series with the outstanding Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Bonds.

15 Notices

Notices required to be given to the holders of Bonds pursuant to the Conditions shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fifth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices required to be given to the holders of Bonds pursuant to the Conditions shall also be published (if such publication is required) in a manner which complies with the rules and regulations of the stock exchange or other relevant authority on which the Bonds are for the time being listed and/or admitted to trading. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Bonds are evidenced by the Global Certificate and the Global Certificate is held on behalf of Euroclear Bank SA/NV or Clearstream Banking S.A. or an Alternative Clearing System, notices to the Holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear Bank SA/NV or Clearstream Banking S.A. or the Alternative Clearing System, for communication by it to entitled accountholders, in substitution for notification as required by the Conditions.

16 Currency Indemnity

U.S. dollars is the sole currency of account and payment for all sums payable by the Issuer and the Guarantor under or in connection with the Bonds and the Guarantee, including damages. Any amount received or recovered in a currency other than U.S. dollars (whether as a result of, or of the enforcement of, a judgement or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer, the Guarantor or otherwise) by any Bondholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the U.S. dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under any Bond, the Issuer or the Guarantor (as the case may be) shall indemnify it against any loss sustained by it as a result. In any event, the Issuer or the Guarantor (as the case may be) shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the Bondholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantor's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Bondholder and shall continue in full force and effect despite any other judgement, order, claim or proof for a liquidated amount in respect of any sum due under any Bond or any other judgement or order.

17 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

18 Governing Law and Jurisdiction

- (a) **Governing Law:** The Fiscal Agency Agreement and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.
- (b) **Jurisdiction:** The courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with the Bonds or the Guarantee and accordingly any legal action or proceedings arising out of or in connection with any Bonds ("**Proceedings**") may be brought in such courts. Each of the Issuer and the Guarantor irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the Bondholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

- (c) **Agent for Service of Process:** Each of the Issuer and the Guarantor irrevocably appoints Law Debenture Corporate Services Limited at 8th Floor, 100 Bishopsgate, London, EC2N 4AG, United Kingdom as its agent in England to receive service of process in any Proceedings in England based on any of the Bonds. If for any reason the Issuer does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Bondholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

THE GLOBAL CERTIFICATE

The Global Certificate contains provisions that apply to the Bonds in respect of which it is issued, some of which modify the effect of the Conditions of the Bonds set out in this Offering Circular. The following is a summary of provisions of the Bonds while in global form.

Meetings

The registered holders of the Bonds in respect of which the Global Certificate is issued will be treated as being one person for the purposes of any meeting of Holders, and at any such meeting, as having one vote in respect of each US\$1,000 in principal amount of the Bonds in respect of which the Global Certificate is issued.

Cancellation

Cancellation of any Bonds following its redemption or purchase by the Issuer will be effected by a reduction in the principal amount of the Bonds in the register of Holders.

Transfers

Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream, and their respective participants in accordance with their respective rules and operating procedures.

Notices

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear, Clearstream or an alternative clearing system appointed in accordance with the terms of the Bonds and the Fiscal Agency Agreement, notices to the Holders may be given by delivery of the relevant notice to the clearing systems in accordance with the applicable rules and procedures of the clearing systems for communication by them to entitled accountholders. Any such notice shall be deemed validly given on the day after it has been delivered to Euroclear, Clearstream or an alternative clearing system.

Singapore Paying Agent

For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Certificate is exchanged for Definitive Certificates, and unless the Issuer obtains an exemption from the SGX-ST, the Issuer will appoint and maintain a paying agent in Singapore, where the Definitive Certificates may be presented or surrendered for payment or redemption. In addition, in the event that the Global Certificate is exchanged for Definitive Certificates, 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 Certificates, including details of the paying agent in Singapore.

USE OF PROCEEDS

The net proceeds from the issuance of the Bonds, after deducting underwriting commissions but not estimated expenses of the offering, will be US\$199,600,000. The Issuer intends to use such net proceeds for general corporate purposes.

THE ISSUER

Formation

The Issuer is a limited liability company established under the laws of Korea in 26 August 2024.

Business Activities

The Issuer was established for the sole purpose of issuing the Bonds, with full capacity to carry on or undertake any business or activity, do any act or enter into any transaction and has full rights, powers and privileges for the above purpose pursuant to the objects and powers set out in its articles of association. As at the date of this Offering Circular, the Issuer does not carry and has not carried on any business, other than entering into arrangements for the issue of the Bonds and other activities reasonably incidental thereto (such activities, for the avoidance of doubt, shall include the purchase of domestic corporate bonds from the proceeds of the offering of the Bonds). No part of the equity securities of the Issuer is listed or dealt in on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

Financial Statements

Hanil Accounting Corp. has been appointed as auditor for the Issuer. The Issuer will issue and publish financial statements at the end of each fiscal year. The Issuer is required to keep records that are sufficient to show and explain its transactions and will, at any time, enable the financial position of the Issuer to be determined with reasonable accuracy.

Share Capital

The equity interests in the Issuer are wholly owned by the Guarantor.

Director

The director of the Issuer (“**Director**”) is Jang, Eun Jae, and the Director’s business address is c/o 2F, 408, Jong-ro (Sungin-dong), Jongno-gu, Seoul 03116, Korea. There are no conflicts of interest between the duties to the Issuer of the person listed above and his private interests and duties. The Issuer does not have any employees and has no subsidiaries.

Legal Proceedings

The Issuer may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of its business. As of the date of this Offering Circular, the Issuer is not involved in any litigation or other legal proceedings, the outcome of which would, in the reasonable judgement of its management, have a material adverse effect on the financial condition or results of operations of the Issuer.

THE GUARANTOR

KOREA CREDIT GUARANTEE FUND

Overview

Korea Credit Guarantee Fund (“KODIT”) is a public financial institution established on 24 May 1976 under the provisions of the Credit Guarantee Fund Act. As stipulated in Article 1 of the Credit Guarantee Fund Act and Article 2 of the Articles of Incorporation of KODIT, the objective of KODIT is to lead the balanced development of the national economy by extending credit guarantees for the liabilities of promising SMEs which lack tangible collateral. KODIT’s primary business consists of extending such credit guarantee services to SMEs and stimulating sound credit transactions through the efficient management and use of credit information. In 2022 and 2023, KODIT provided credit guarantees worth ₩64,649 billion and ₩66,948 billion respectively, bringing stability to the financial market and the real economy. As of 31 December 2023, the entire amount of outstanding guarantees by KODIT amounts to ₩81,623 billion.

To fulfil its social responsibility as a public institution, KODIT developed Korea’s first standardised social economy enterprise evaluation system and has supported credit guarantees of approximately ₩155 billion to social economy enterprises as of 31 August 2024. Moreover, to increase social contribution and pursue sustainable development, KODIT announced in January 2021 that it would issue ESG-certified primary collateralised bond obligations (P-CBOs), through which KODIT guarantees corporate bonds issued by SMEs and middle-standing companies to enhance the issuers’ credit and attract investment. KODIT also established the “ESG Promotion Centre” in March 2021 to facilitate ESG-based management and created the “ESG Committee” in July 2021. In November 2021, KODIT entered into the “Business Agreement to Activate Private Investment on ESG” with Kookmin Bank and KB Securities.

Since February 1998, KODIT has provided credit guarantees for all types of industries in principle. However, KODIT focuses more on industries that have a greater ripple effect and consequently higher contribution to economic growth. The outstanding guarantees for the manufacturing industry and the wholesale & retail industry respectively accounted for 33.9% and 35.8% of the total amount in 2022 and 32.8% and 35.7% of the total amount in 2023. In line with government policies that emphasise support for manufacturing companies, start-ups, and the Fourth Industrial Revolution industries such as robotics and fintech, KODIT extends credit guarantees to innovation-driven companies having high growth potential such as startups and technology-intensive companies. Curbs have been placed on new guarantees extended to general businesses with low guarantee efficiency such as companies using guarantees for prolonged periods of times or those that had received large guarantees before.

In addition to credit guarantee services, KODIT provides credit insurance services, infrastructure credit services, start-up support, management consulting services and other special programmes.

As of the date of this Offering Circular, KODIT has received foreign currency, long-term issuer credit ratings of “AA” from S&P and “Aa2” from Moody’s.

History and Development

KODIT was established under the Credit Guarantee Fund Act in 1975, when Korea was in the final year of its third Five-Year Economic Development Plan. At the time, Korea’s export-led economic growth that relied on foreign capital was hit hard by the “Nixon shock” of 1971 prohibited the conversion of U.S. dollars and gold and the first oil crisis triggered by the Mideast war in 1973. Economic stagnation ensued, and the Government deemed it necessary to strengthen its financial support system to secure momentum for sustainable economic growth, as the number of distressed enterprises increased due to high inflation and the prevalence of private loans with high interest rates. The Government implemented a series of policies to strengthen SMEs to cultivate balanced economic growth, and established KODIT under a public guarantee system that would be based on contributions from the Government while KODIT would be operated by an independent institution to provide guarantees to SMEs.

As stipulated in Article 4.1 of the Articles of Incorporation of KODIT, KODIT was established with a credit guarantee fund of ₩28 billion. KODIT’s capital fund is built with sources that include, but are not limited to, contributions from the government and financial institutions. Statutory contributions from financial institutions, which used to be 0.5% of the loan amount based on contributions at the time of establishment, has been amended to not exceed 0.3% per annum. As of the end of 2023, the benchmark rate was applied at 0.225%.

In 1989, the credit guarantee business targeting the technology sector was split from KODIT, and KOTEC was established. In 2004, the Korea Housing Finance Corporation (“**HF**”) was established, and KODIT’s housing finance credit guarantee business was transferred to HF. In 1995, the Credit Guarantee Fund Act was amended so that restrictions on eligibility according to industry sector were abolished and the ceiling on the total outstanding credit guarantees was amended from 15 times to 20 times the total capital funds. In 1996, the competent authority supervising governmental contributions was changed from the Ministry of Finance and Economy to the Small and Medium Business Administration (now the “Ministry of SMEs and Startups”).

When the Asian Financial Crisis took place in 1997, KODIT implemented various special credit guarantees to assist SMEs hit by the crisis, including guarantees for export financing (1998) and special guarantees for livelihood-type startups (1999) to help create jobs for working-class households that lost jobs due to the crisis. In December 1998, KODIT adopted a partial guarantee system under which the credit risks are shared with creditor institutions and KODIT. In 1999, KODIT also took over the administrative right of the Housing Finance Credit Guarantee Fund from the Housing & Commercial Bank to become the sole management institution of the Korea Infrastructure Credit Fund.

In 2000, KODIT introduced special guarantees for Collateralised Bond Obligations (CBO) and Collateralised Loan Obligations (CLO) to help medium and large enterprises issue corporate bonds. A year later, KODIT developed the Corporate Credit Rating System (CCRS) to enhance the credibility and objectivity of decision-making for guarantees and also launched e-commerce credit guarantee services to facilitate online business transactions of SMEs. In 2002, KODIT won the bid for the e-commerce category of the “B2B Network Implementation Support Project” by the Ministry of Commerce, Industry and Energy and received the Presidential Prize in the National Productivity Award. In 2003, KODIT acquired the ISO 9001 Certificate in Overseas Credit Information Business and received the Minister’s Prize in the Korea E-Business Awards sponsored by the Ministry of Commerce, Industry and Energy. KODIT also received the top prize in the “2004 V-ISO Management Systems Grand Awards” administered by the Korean Management Association and the “Presidential Award” in the “2004 Annual Congress for Entrepreneurs of Small and Medium-Sized Enterprises” administered by the Korean Federation of Small and Medium Business.

KODIT expanded its global presence by hosting the 18th Asian Credit Supplementation Institution Confederation (ACSIC) Conference in Seoul in October 2005. In 2006, KODIT received First Prize as the Best Innovative Public Institution in the Korean Customer Awards. In 2007, KODIT joined the UN Global Compact.

Since then, KODIT entered into various MoUs with development banks in various countries and with numerous entities in Korea such as the Korea Trade Association (2013), Korea National Council on Social Welfare (2013), Korea Intellectual Property Office (2013), Samsung Electronics (2013), Korea Exchange (2014), Small and Medium Business Administration and Shinhan Bank (2015) and Gaeseong Industrial District Foundation (2017).

Currently, KODIT has its headquarters in Daegu city, where it moved to in 2014, and continues to conduct its core objectives of contributing to the balanced development of the national economy and facilitating SMEs’ access to finance. When the COVID-19 crisis hit in 2020, KODIT implemented measures to build an economic safety net for SMEs and micro enterprises by providing new special guarantees and extending the maturity dates for existing guarantees. In 2020, KODIT provided over ₩8,418 billion in special guarantees to SMEs affected by COVID-19, and over ₩4,192 billion to micro enterprises. KODIT also extended maturity dates of existing guarantees for 127,449 enterprises in the amount of ₩27,684 billion. Moreover, KODIT implemented a digital mobile platform to allow customers to handle entire credit guarantee processes easily without having to visit KODIT’s branch offices, effectively responding to the spread of COVID-19 and allowing 160,000 tasks to be completed in non-contact ways.

Relationship with the Government of Korea

Legal Basis for Operation

KODIT is a juridical entity that was established under the Credit Guarantee Fund Act. The provisions related to this can be found in the Credit Guarantee Fund Act, the Enforcement Order and Enforcement Rules of the Credit Guarantee Fund Act, and KODIT’s articles of association, operating guidelines, regulations, manuals, and standards.

Government Supervision

KODIT is both a public body funded by the Government and a policy-oriented financial institution for implementing government financial policy. KODIT operates under the direction and supervision of the Korean

National Assembly and related government ministries. First, the FSC is the chief supervisory body for overseeing KODIT under law and has the power to issue orders necessary for supervising KODIT. For instance, according to the Credit Guarantee Fund Act, KODIT must obtain authorisation from the FSC before amending the Articles of Incorporation, seven out of the twelve members of the KODIT Board of Policy are appointed by the FSC, the president, deputy president, auditor, and seven executive directors of KODIT's executive officers are appointed by the FSC, the FSC can dismiss an executive officer for reasons stipulated in the Credit Guarantee Fund Act, the FSC can allow KODIT to perform business not enumerated in the Credit Guarantee Fund Act, and the FSC oversees annual business and budget plans.

The MOEF approves matters related to KODIT's budget and staffing and evaluates management performance. The MOEF is also responsible for general supervision of the operations of the Infrastructure Credit Guarantee Fund consigned to KODIT. The MSS manages KODIT's budgeting related to government contributions and supervises the general operation of credit insurance services. The BAI monitors KODIT, while the National Assembly reviews bills related to KODIT and its budget and account settlement. KODIT is also subject to the legislature's annual audit of the Government.

Government Financial Support

The capital fund of KODIT is the basis for supply of credit guarantees and subrogation payment under its credit guarantee system. It is comprised of contributions from the Government, financial companies, enterprises and persons other than aforementioned, as stipulated in the Credit Guarantee Fund Act. Overall, the Prime Minister, by Ordinance, prescribes the scope of loans, methods and timing of making contributions, and other matters necessary for contributions.

Government contributions are governed under the jurisdiction of the Ministry of SMEs and Startups, and contributions from financial companies are to be made at a rate prescribed by Ordinance of the Prime Minister, within 3/1,000 per annum of their loans.

Contributions from respectively the Government, and financial institutions and enterprises were respectively ₩960 billion and ₩1,111 billion in 2022 and ₩84 billion and ₩1,332 billion in 2023. As a result of such contributions, KODIT's capital fund reached ₩10,548 billion at the end of 2022 and ₩11,723 billion at the end of 2023. The cumulative Government contribution until 31 December 2023 amounted to a total of ₩14,189 billion. KODIT's total assets amounted to a total of ₩15,275 billion in 2023. The chart below shows the financial contributors to KODIT's funding and their contribution amounts to KODIT's capital fund for the past five years.

Contributor	2019	2020	2021	2022	2023
	<i>₩ (Unit: billions of Won)</i>				
Government	151	3,170	370	960	84
Financial Institutions	956	1,042	1,022	1,109	1,310
Special	28.3	28.9	19.4	2.6	22
Total	<u>1,135</u>	<u>4,241</u>	<u>1,412</u>	<u>2,071</u>	<u>1,416</u>

The operational multiple, calculated by dividing the outstanding credit guarantee by the capital fund as underlying asset, is an important measure that indicates the capability to provide guarantees in accordance with economic conditions and the liquidity to deal with subrogation claim of financial institutions. The Credit Guarantee Fund Act prohibits the operational multiple from outweighing 20 times, and this multiple measured at 7.0 times at the end of 2023.

Reporting Requirements and Audits

KODIT's management controls KODIT's day-to-day business operations, but KODIT's operations are also subject to review and supervision by the Government. Under the Credit Guarantee Fund Act, each fiscal year, KODIT is required to submit its business plan and budget (total income and expenditures of each business year) to KODIT's Board of Policy and the FSC for approval. The major reporting requirements and audits to which KODIT is subject include the following according to the Credit Guarantee Fund Act:

- (a) KODIT establishes and submits an annual business plan and budget and obtains approval from the FSC, following a resolution by the Board of Policy;

- (b) No later than one month prior to the commencement of each fiscal year, KODIT must submit to the FSC for approval KODIT's proposed business plan and budget for the next fiscal year;
- (c) KODIT must receive approval from the FSC, following a resolution by the Operation Committee for any amendments to its business plan or budget;
- (d) When KODIT prepares or amends a business plan, it shall expressly state matters concerning a preferential guarantee it intends to provide;
- (e) For every fiscal year (within two months after the end of each fiscal year), KODIT must prepare a report on the statement of accounts a balance sheet, a profit and loss statement, and a statement of fundamental property to the FSC, following a resolution by the Board of Policy;
- (f) KODIT must prepare an operations manual relating to its business and undergo a resolution by the Board of Policy, which includes the following matters: methods of providing a guarantee, types of businesses for which guarantees are restricted, periods of guarantees, guarantee fees, discharge of guaranteed liabilities; exercise of the right to demand indemnity; methods of providing re-guarantees, periods of re-guarantees, types of business for which re-guarantees are restricted; guarantees regarding special purpose companies, guarantee-linked investment, and other matters necessary for business performance of KODIT; and
- (g) If FSC deems it necessary to achieve the purposes of the Credit Guarantee Fund Act, it can request KODIT, entities entrusted by KODIT with the business of KODIT, or entities making contributions to KODIT, to submit reports, or have public officials affiliated with KODIT to inspect the status of KODIT operations, books and documents or other necessary matters.

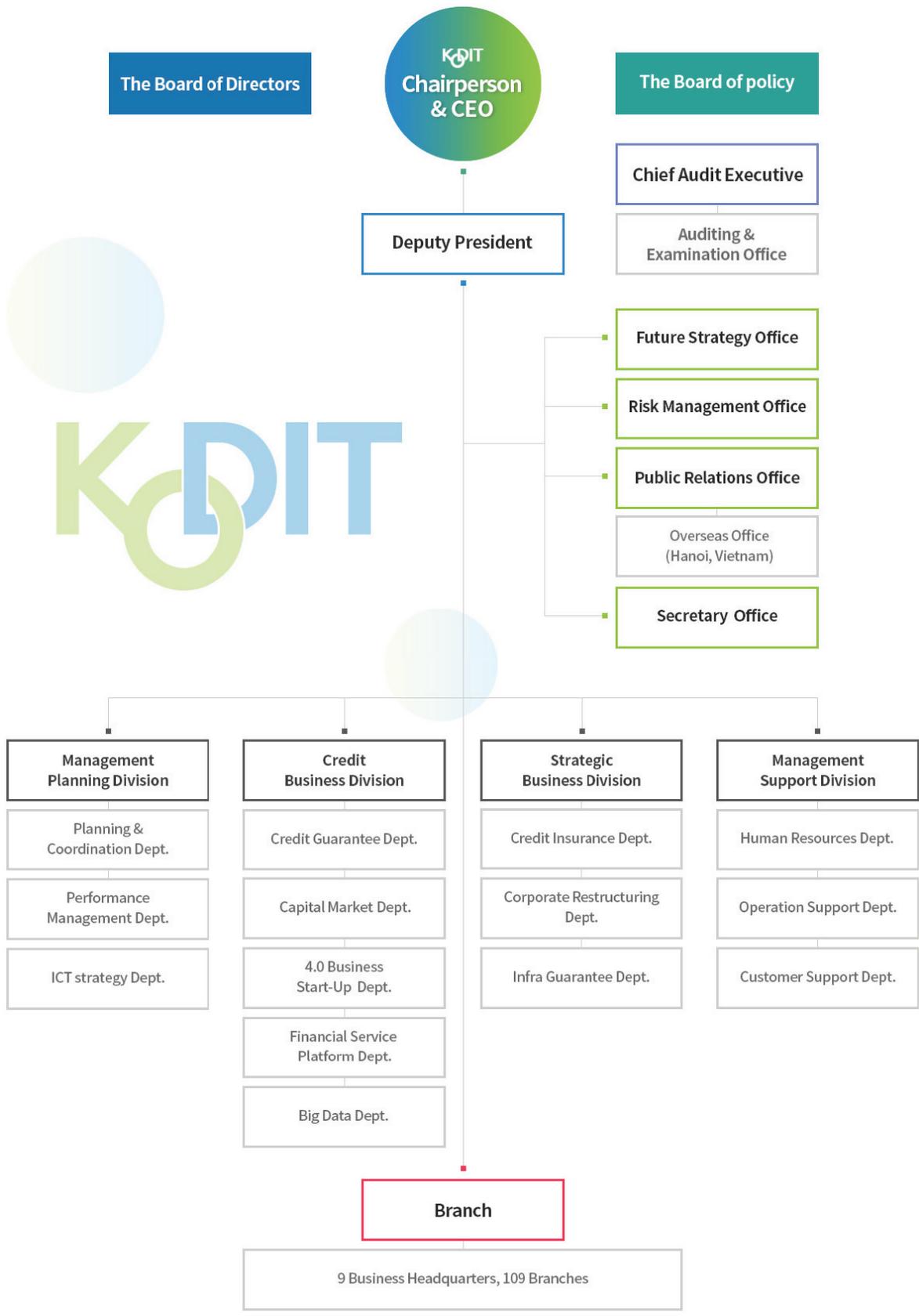
Organisation and Structure

KODIT is managed by the Board of Policy and the Board of Directors. The diagram below illustrates the organisational structure of KODIT:

KODIT's operating divisions consist of the Management Planning Division, the Credit Business Division, the Strategic Business Division, and the Management Support Division.

The key functions of the 4 divisions are summarised as follows:

- (a) Management Planning Division: This group consists of 3 departments and its main responsibilities are fund management, legal affairs, regional development planning, data analysis, and performance evaluation.
- (b) Credit Business Division: This group consists of 5 departments and its main responsibilities are product planning, investment/IPO/M&A guarantee planning, intellectual property evaluation, platform establishment, and guarantee system sustainment.
- (c) Strategic Business Division: This group consists of 3 departments and its main responsibilities are risk management, legal support, insurance operations, consulting preparation, and financial modelling.
- (d) Management Support Division: This group consists of 3 departments and its main responsibilities are human resources management, facility maintenance, and customer service.



Businesses and Services

The main features of KODIT's major businesses and services are summarised as follows:

Credit Guarantee Services

The main purpose of the credit guarantee services is to enable promising SMEs that are without sufficient collateral to obtain funds and make smooth headway with regard to financial or business transactions. With the credit guarantee services, KODIT attempts to help such SMEs repay liabilities assumed by business enterprises in transactions with other companies or institutions.

Credit guarantee services involve a series of interactions among three parties: the guarantor (KODIT), the debtor (enterprises) and the creditor (financial institutions). If the debtor defaults, KODIT pays the guarantee obligation to financial institutions in place of the debtor.

KODIT's credit guarantee services fall into three categories:

The first category is general credit guarantee services, which includes guarantees for indirect financing (bank loans, leases, trade bills, etc.), direct financing (corporate bond issuance), credit transactions between enterprises (commercial bills, execution of contract and transaction liabilities) and tax payment.

The second category is special credit guarantee services, which include primary collateralised bond obligation (P-CBO) and collateralised loan obligation (CLO) guarantees. P-CBOs are a kind of Asset-Backed Security (ABS) backed by a variety of corporate bonds with varying degrees of risks and coupon rates. KODIT provides P-CBO guarantees to facilitate financing to companies more efficiently by guaranteeing the repayment of their corporate bonds indirectly. CLO guarantees are similar in structure to the P-CBO guarantees, except that the underlying assets of CLO guarantees the loans instead of corporate bonds. KODIT provides P-CBO guarantees for rolling over debt to enterprises that were not able to repay their debts at maturity. KODIT provides guarantees for senior securities, which allows them to be rated investment grade. The senior tranche is then sold in the capital markets, and subordinated tranche are purchased by the issuing enterprise.

The third category is electronic credit guarantee services, which is KODIT's introduction of electronic credit guarantee certificates—these are sent from KODIT to credit institutions via internet, in place of conventional letter of credit guarantees. Digitalised credit guarantee services allow companies applying for credit guarantees to reduce the number of visits to KODIT and financial institutions. In addition, electronic guarantee certificates are easier to store and safeguard than letter of credit guarantees. The chart below summarises the outstanding amount of credit guarantees.

<u>Type of Guarantee</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>₩ (Unit: billions of Won)</i>		
General Guarantee	59,146	61,396	61,821
Entrusted Guarantee for Micro and Small Enterprises	7,155	6,508	4,479
P-CBO Guarantee*	2,402	1,747	2,623
P-CBO Guarantee Supporting Key Industry*	2,205	1,846	—
P-CBO Guarantee (Bond Market Stabilisation)**	—	—	11,572
P-CBO Guarantee for COVID-19 Response**	7,680	11,640	—
Special Guarantee for Market Stabilisation**	—	—	—
Total Guarantee	<u>78,589</u>	<u>83,137</u>	<u>80,495</u>

* P-CBO Guarantee & P-CBO Guarantee Supporting Key Industry were integrated into P-CBO Guarantee.

** P-CBO Guarantee for COVID-19 Response & Special Guarantee for Market were integrated into P-CBO Guarantee (bond market stabilisation)

Credit Insurance Services

KODIT offers two types of credit insurance services: Bill Insurance Services and Receivables Insurance Services. KODIT introduced Bill Insurance Services in September 1997 and Receivables Insurance Services in March 2004 to protect SMEs from chain reaction bankruptcies arising from dishonoured commercial bills or non-payment of receivables for the goods and services that SMEs provided to buyers. KODIT's Corporate Bill

Insurance is mainly purchased by suppliers who provide goods or services to cover the risk of non-payment by a buyer. KODIT's Sales Receivable Insurance is purchased by suppliers who provide goods or services to cover the risk of non-payment on sales receivables. KODIT underwrote credit insurance of approximately ₩21,372 billion in 2022 and ₩21,532 billion in 2023.

Infrastructure Credit Guarantee Services

Korea Infrastructure Credit Guarantee Fund (KICGF) was established in August 1994, under the provisions of the 'Act on Public-Private Partnerships in Infrastructure'. Initially, KICGF was operated by three institutions: Korea Development Bank, Korea Technology Credit Guarantee Fund and KODIT. Later, in Jan 1999, KODIT took over the funds of the other two institutions and became the sole operator of KICGF. The objective of infrastructure credit guarantee services is to help private investment corporations obtain funds for facility construction. Infrastructure credit guarantee services have played a significant role in securing the financing of private investment corporations that lack the collateral for loans but have acceptable credit standings and strong prospects. Thus, KODIT induces private investments in government projects which contributes to enhancing the overall efficiency of government policies. KODIT facilitated a total of 13 cases worth approximately ₩2,311 billion for project operators that experienced difficulties in financing due to the sluggish domestic construction industry in 2022 and a total of 7 cases worth approximately ₩2,654 billion in 2023.

Start-up Support

In 2015, KODIT expanded its tailored startup support programme, reflecting characteristics of startups from pre-startup to growth stage. Specifically, KODIT systemised its pre-startup support programme by reinforcing its financial support and implemented guarantee scheme to realise a business idea by building co-support system with Creative Economy Town, professional idea evaluation organisation. In addition, KODIT extends credit to SMEs based on long-term trust regarding their technology and business values, and also introduced its E3 startup guarantee programme to enhance success of technology-based startups.

Management Consulting Services

KODIT provides management consulting services to SMEs in an attempt to enhance their competitiveness and productivity. KODIT's services include assistance with data research, field research, report preparation and presentation. SMEs are generally said to have been the underdogs compared to large enterprises due to their weaknesses in working capital, manpower, technology and know-how.

Principal Properties

KODIT's registered office and head office is located at 7, Chemdan-ro (Sinseo-dong), Dong-gu, Daegu 41068, Korea. As of 30 June 2024, KODIT has 109 branches and 9 regional headquarters located throughout Korea.

Legal Proceedings

There are no material legal, regulatory, or administrative actions of significance or litigation currently pending or, to KODIT's knowledge, threatened against KODIT.

Employees

As of 30 June 2024, KODIT had 2,616 full-time employees (including the executive directors and officers) as well as 134 contract employees.

KODIT has a total of three labour unions. Labour unions have been divided according to employee type and were respectively formed in 1980, 2008, and 2018. As of 30 June 2024, approximately 94% of KODIT's eligible employees were members of one of the unions.

Management

Board of Policy

The Credit Guarantee Fund Act establishes a Board of Policy that formulates and enforces policies concerning the operation and management of KODIT according to the Credit Guarantee Fund Act, the Enforcement Decree

of the Credit Guarantee Fund Act, and the Articles of Incorporation of KODIT. The Board of Policy also sets regulations for handling KODIT's affairs. Matters necessary for the operation of the Board of Policy are prescribed by Presidential Decree.

In accordance with the Credit Guarantee Fund Act, the Board of Policy is comprised of twelve members: the President & CEO of KODIT, one nominated by the FSC from among a pool of public officials belonging to the Commission, one nominated by the Minister of Economy and Finance from among a pool of public officials belonging to the Ministry, one nominated by the Administrator of Small and Medium Business Administration from among a pool of public officials belonging to the Administration, one nominated by the Governor of the Bank of Korea from among a pool of executives belonging to the Bank of Korea, one nominated by the President of the Industrial Bank of Korea from among a pool of officers belonging to the Industrial Bank of Korea, one executive officer nominated by the head of a financial institution designated by the FSC, three members from among a pool of officers or executives of financial institutions, and two members from among a pool of representatives of industry associations. The Board of Policy is chaired by the President & CEO of KODIT and under the Credit Guarantee Fund Act, the 12 members of the board each serves a two-year term. Regular meetings are held in February and November, and extraordinary meetings are held in cases of necessity.

Board of Directors

KODIT's Board of Directors was established by the Credit Guarantee Fund Act to deliberate on important operational details following the articles of association and operational guidelines. The Board of Directors resolves major issues concerning credit guarantees, guaranteed obligations, asset management, and investment. Under the Credit Guarantee Fund Act, the Board of Directors is composed of the President & CEO of KODIT, one Deputy President, directors (executive directors not exceeding five in total and non-executive directors not exceeding eight in total). Under Article 16 of the Credit Guarantee Fund Act, the President & CEO and the auditor are appointed by the FSC, and the Deputy President and all executive directors are appointed by the FSC upon the recommendation of the President & CEO. While the auditor is not represented on the Board, the auditor may attend meetings of the Board of Directors and state opinions. The President & CEO of KODIT convenes the Board of Directors and chairs the Board of Directors. Under the Credit Guarantee Fund Act, the President & CEO serves a three-year term. All other directors serve two-year terms.

The following table sets forth the names, years of birth, and positions of KODIT's current executive officers and executive directors as of 19 September 2024:

<u>Name</u>	<u>Year of Birth</u>	<u>Position</u>	<u>Director Since</u>	<u>End of Term</u>
Choi, Won-Mok	1960	President & CEO	29 August 2022	28 August 2025
Lee, Seong-Ju	1965	Deputy President	3 September 2021	4 July 2025
Cho, Choong-Haeng	1963	Senior Executive Director	5 January 2022	4 January 2024
Lee, Ju-Young	1966	Senior Executive Director	18 April 2023	17 April 2025
Yum, Jung-Won	1969	Senior Executive Director	5 July 2024	4 July 2026
Chae, Byung-Ho	1968	Senior Executive Director	5 July 2024	4 July 2026
Min, Jwa Hong	1965	Chief Audit Executive	19 September 2024	18 September 2026

Choi, Won-Mok is KODIT's President and has been the CEO since 29 August 2022. He is a member of both KODIT's Board of Policy and Board of Directors. Prior to joining KODIT, he served as Chief Audit Executive for the Korea Finance Telecommunications and Clearings Institute, Executive Director for the Asian Development Bank, and Deputy Minister for Planning and Coordination for the Ministry of Economy and Finance.

Lee, Seong-Ju has been Deputy President of KODIT since 2024 and a Senior Executive Director of KODIT since 2021. He is a member of KODIT's Board of Directors. Prior to becoming Deputy President and a Senior Executive Director, he served as the Director of KODIT's Seoul Dongbu Business Headquarters.

Cho, Choong-Haeng has been a Senior Executive Director since 2022. He is a member of KODIT's Board of Director. Prior to becoming a Senior Executive Director, he served as Financial Public Data Officer at the FSC.

Lee, Ju-Young has been a Senior Executive Director since 2023. He is a member of KODIT's Board of Directors. Prior to becoming a Senior Executive Director, he served as the Director of KODIT's Seoul Seobu Business Headquarters.

Yum, Jung-Won has been a Senior Executive Director since 2024. She is a member of KODIT's Board of Directors. Prior to becoming a Senior Executive Director, She served as Director of KODIT's Seoul Dongbu Business Headquarters.

Chae, Byung-Ho has been a Senior Executive Director since 2024. He is a member of KODIT's Board of Directors. Prior to becoming a Senior Executive Director, he served as the Director of KODIT's Seoul Seobu Business Headquarters.

Chief Audit Executive

Min, Jwa Hong has been the Chief Audit Executive of KODIT since 2024. Prior to becoming Chief Audit Executive, he served as Deputy Governor of the Bank of Korea.

Non-Executive Directors

The following table sets forth the names, years of birth, and positions of KODIT's non-executive directors as of 19 September 2024¹:

<u>Name</u>	<u>Year of Birth</u>	<u>Position</u>	<u>Director Since</u>	<u>End of Term</u>
Lee, Sang-won	1966	Senior Non-executive Director	28 March 2023	27 March 2025
Kwon, Taek-Ki	1965	Senior Non-executive Director	9 May 2023	8 May 2025
Park, Myung-Ho	1969	Senior Non-executive Director	9 May 2023	8 May 2025
Park, Hyun-In	1982	Senior Non-executive Director	19 May 2023	18 May 2025
Jung, Hwan	1963	Senior Non-executive Director	6 December 2023	5 December 2025
Choi, Yoo-Mi	1982	Senior Non-executive Director	6 December 2023	5 December 2025
Kim, Sung-Hyun	1967	Senior Non-executive Director	22 August 2024	21 August 2026
Hwang, Seong-Hyuk	1971	Senior Non-executive Director	22 August 2024	21 August 2026

Lee, Sang-won has been a Senior Non-executive Director since 2023. Previously, he served as Assistant Secretary for the Ministry of Education.

Kwon, Taek-Ki has been a Senior Non-executive Director since 2023. Previously, he served as a member of the National Policy Committee and a Congressman of the 18th National Assembly.

Park, Myung-Ho has been a Senior Non-executive Director since 2023. Currently, he serves as Professor of Economics at Hongik University.

Park, Hyun-In has been a Senior Non-executive Director since 2023. Currently, he serves as Labour Director of KODIT.

Jung, Hwan has been a Senior Non-executive Director since 2023. Previously, he served as Vice President at Shinhan Securities.

Choi, Yoo-Mi has been a Senior Non-executive Director since 2023. Currently, she serves as an attorney at Yulchon LLC.

Kim, Sung-Hyun has been a Senior Non-executive Director since 2024. Currently, he serves as Professor of Economics at Sungkyunkwan University.

Hwang, Seong-Hyuk has been a Senior Non-executive Director since 2024. Currently, he serves as Assistant Professor of Economics at Jeonbuk National University.

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 ₩1.8 billion (which included bonus and incentive payments) for the year ended 31 December 2022, and ₩1.9 billion for the year ended 31 December 2023.

¹ Officers and directors may continue to serve beyond the end of their respective terms until a successor is appointed.

Risk Management

KODIT is exposed to risks relating to providing credit guarantees for SMEs, as well as risks relating to its operating environment. KODIT's objectives in risk management are to manage KODIT's underlying assets efficiently and help make better policy decisions. The principal types of risks faced are credit risk, liquidity risk and operational risk.

Policies and Procedures

KODIT's risk management framework is implemented in the form of a company-side risk management system that clearly sets basic principles, objectives and procedures. KODIT 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.

KODIT reports on a quarterly basis to the Risk Management Committee with respect to its overall risk profile.

Organisation

KODIT built an integrated risk management system to manage KODIT's underlying assets efficiently and help make better policy decisions. This system allows KODIT to flexibly deal with challenges from the ever-changing economic environment. In 2005, KODIT established the Innovation Strategy Office (renamed to the "Risk Management Office" in 2008) to implement a company-wide risk management system that clearly sets basic principles, objectives and procedures. Since 2006, KODIT has been running the Enterprise Risk Management ("ERM") system for comprehensive risk management, and this system has undergone continuous improvement. KODIT runs this system in addition to the Credit Risk Alarm System ("CeRAS").

Risk Management Office

Roles and Responsibilities

The Risk Management Office is responsible for the efficient management of the various risks related to KODIT's business activities. The Risk Management Office operates to maintain the soundness and stability of KODIT, and achieves this purpose by predicting, measuring and analysing the various risks.

The types of risks that the Risk Management Office manages include: credit risks of companies that KODIT supports, liquidity risks to secure solvency, system and operational risks, information system risks, etc.

In order to meet these goals, the Risk Management Office has been established as a department under the direct control of the Deputy President to enable management and control of KODIT as a whole, rather than belonging to one of the four business divisions of KODIT (Management Planning, Credit Business, Strategic Business and Management Support).

Members

The Risk Management Office is composed of 28 members, including the head of the Risk Management Office. Members have risk-related doctoral degrees and certifications and professionally manage the risks faced by KODIT. Specifically, members are classified as follows:

<u>Title</u>	<u>Staff level</u>	<u>Main Responsibility</u>	<u>Number of team members (staff level)</u>
Director General of Office	1	Overall Management	0
Director of Information Security Centre	2	IT Risk Management	6 (levels 4-5)
Director of Integrated Risk Management Planning Team	3	ERM	4 (levels 4-5)
Director of Credit Risk Team	3	Credit Risk Management	3 (levels 4-5)
Director of Evaluation Model Team	3	Evaluation System Development	3 (levels 4-5)
Director of Operational Risk Management Team	3	Operational Risk Management	3 (levels 4-5)
Director of Credit Information Protection Team	3	Information Protection Risk Management	2 (levels 4-5)

Meetings, Reporting Requirements and Procedures

The Risk Management Committee and Risk Management Working Group also operate for the efficient risk management of KODIT.

The Risk Management Committee is the highest decision-making body in KODIT regarding risk management. The Committee establishes basic risk management policies and risk tolerance limits and develops measures against risks that appear on assessment results. The Chairman of the committee is the Deputy President of KODIT, and members consist of executives from the Management Planning and Credit Business Divisions as well as external members appointed by the President. The committee consists of 7 or less members and the number of external members is kept at a number of more than half of the total number of members to strengthen objectivity during decision-making processes. In 2023, the Risk Management Sub-Committee was established for the purpose of allocating risk tolerance limits relating to fund management. The Chairman of the sub-committee is the executive from the Management Planning Division and members consist of another executive therefrom as well as two external members appointed by the President.

The Risk Management Working Group's duties include promoting discussion and information-sharing between departments on risk management tasks, identifying insolvency trends of entities registering for credit guarantees, analysing causes and developing measures to address problems, etc. The Working Group comprises 21 members; the Director General of the Risk Management Office serves as the Chairman for the Working Group and one Director from each department of KODIT is appointed as a member.

Additionally, the Risk Management Office is required to report the status quo of potential risks, risk management methods, risk-related reviews and adjustments made to the Risk Management Committee.

Risk Management System

The Risk Management Office is a department that efficiently manages risks related to KODIT's business activities by analysing and responding to potential risks in advance. The Risk Management Office does so to maintain the soundness and stability of KODIT. On the other hand, the Audit Office is a department that inspects and audits KODIT employees' compliance with regulations, to ensure that KODIT's employees, as public officials of a public financial institution, are disciplined.

The Risk Management Office comprehensively manages risks that may arise from KODIT's business activities. KODIT manages risks by classifying them as different types of risks (credit risk, liquidity risk, operational risk and IT risk).

Credit Risk

KODIT manages credit risk to monitor KODIT's basic assets and maintain KODIT's operational multiple at appropriate levels. Such management allows KODIT to maintain subrogation at a stable level by setting an appropriate risk acceptance rate for KODIT's guarantees and predicting and managing the impacts of potential insolvencies. To this end, the Risk Management Office has developed and operates credit and future growth evaluation systems that evaluate the credit capacities of companies before providing guarantees to them. In order to predict the potential losses that KODIT may incur by providing guarantees, the CeRAS and the insolvency prediction system are operated simultaneously with the Credit VaR system, which measures and manages EL (expected loss) and UL (unexpected loss), before providing guarantees to companies.

Liquidity Risk

KODIT manages liquidity risk to secure KODIT's payment capacity for its business activities. Liquidity risk is managed by maintaining the liquidity of KODIT at an appropriate level. To manage liquidity risk, relevant departments coordinate regular inspections of the accounts for credit guarantees (general and industry-based) and insurance to establish appropriate measures through the analyses of various scenarios.

Operational Risk

KODIT manages operational risk to maintain efficiency of its guarantee policies, system and appropriate operation. KODIT periodically monitors the risks arising from inefficient work processes, abnormal work patterns, absence of necessary systems and employees' violations of regulations or procedures. Furthermore,

Risk Self Assessment (“**RSA**”) allows employees to become aware of inappropriately conducted business, and regular institutional evaluations are performed to assess the adequateness of KODIT’s systems in light of changes that occur in the business environment.

IT Risk

KODIT manages IT risk to increase its work efficiency through appropriate internal controls on the basis of information systems. KODIT seeks rational planning, development, investment, efficient operation of information systems and general information protection, by establishing standardised business procedures regarding informatisation, analysing returns on investments regarding informatisation and operating the information protection system.

Risk Management Office’s Relationship with the Auditing Office

The Auditing Office is a department independent from other departments of KODIT. The Auditing Office performs business audits, handles, prevents and provides guidance for various accidents and manages work related to the assessment and inspection of disciplinary procedures relating to public service.

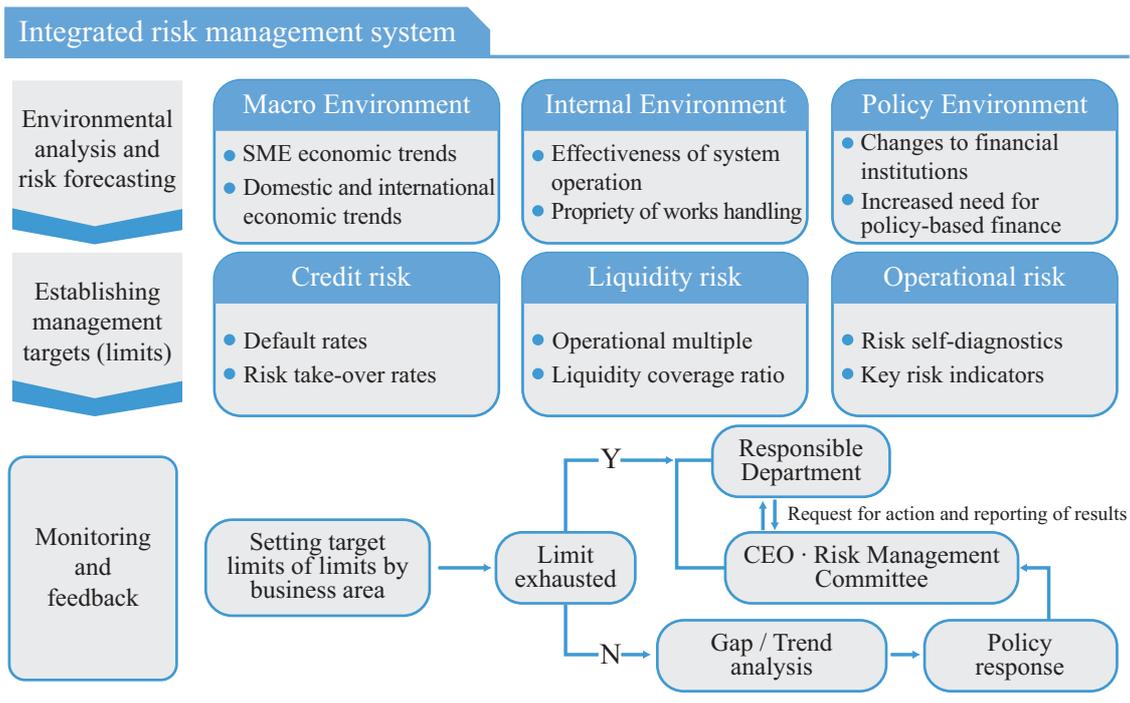
Regarding business audits, the Auditing Office establishes annual audit plans to inspect whether employees comply with relevant laws and internal regulations when handling business. Through audits, the Auditing Office also corrects the problematic behaviours of employees. Furthermore, the Auditing Office helps minimise errors when KODIT makes important management decisions, by releasing an auditor’s opinion before final decisions are made.

Regarding the handling, prevention and provision of guidance for various accidents, the Auditing Office identifies in advance the types of accidents that may potentially occur at each branch of KODIT. In addition, the Auditing Office provides guidance on measures to handle accidents and attempts to prevent accidents by distributing audit white papers and audit findings in advance.

Regarding the assessment and inspection of disciplinary procedures relating to public service, the Auditing Office inspects violations by the employees of KODIT, as KODIT is a public financial corporation and its employees are public officials.

Risk Management Monitoring and Reporting

With the approval of the Risk Management Committee, limits are placed on the risk management indexes of each business division within KODIT at the start of each year. Monthly reports on combined risk management analyse trends and gaps between risk management indexes and their respective limits. The results are reported quarterly to the committee and form the basis of measures taken and decisions made.



Credit Risk Alarm System (CeRAS)

The CeRAS identifies and provides KODIT's branches with an early warning of potential defaults by guarantee-recipient companies. Those that trigger an alarm must undergo follow-up measures.

CeRAS has three sub-models: financial, dynamic and representative models. The financial model inspects financial items such as stability, profitability and growth; the dynamic model covers corporate credit and status and financial transactions; and the representative model focuses on data on financial transactions by the CEO. Inspection is done by using data gathered from credit reports, credit rating companies and credit information collection institutions. A credit risk alarm rating is assessed for each company (caution and warning) and KODIT's business organisation receives monthly notices. Companies receiving a "caution" or "warning" are categorised as special target groups. The branch conducts follow-up measures such as quarterly and biannual due diligence on these entities and could also perform a re-review. In particular, such companies with an alarm rating of "warning" are barred from receiving additional guarantees.

SELECTED FINANCIAL INFORMATION

The selected financial information in Won presented below is derived from the audited separate financial statements set forth in the appendices to this Offering Circular.

The following information should be read together with KODIT's audited separate financial statements and the accompanying notes set forth in the appendices to this Offering Circular.

Korea Credit Guarantee Fund

Statement of Financial Position

	Years ended 31 December	
	2022	2023
	Audited	
	<i>₩ (in millions of Won)</i>	
Current Asset	9,837,818	12,185,559
Cash and Cash Equivalents	109,848	111,977
Short-Term Deposits	3,499,800	3,349,500
Short-Term Investment Securities	5,270,964	7,794,167
Accounts Receivables	88,326	217,911
Short-Term Loans	250,419	360
Other Current Assets	618,460	711,645
Fixed Assets		
Investments	3,913,111	2,425,635
Tangible Assets	548,434	545,685
Intangible Assets	14,584	7,034
Other Non-Current Assets	109,557	111,165
Total Assets	14,423,505	15,275,078
Liabilities		
Current Liabilities	680,199	619,185
Long-Term Provisions	3,041,313	2,850,544
Other Non-Current Liabilities	138,266	66,556
Total Liabilities	3,859,778	3,536,284
Net Assets		
General Net Assets	16,472,650	16,472,650
Reserves and Surplus	(6,035,342)	(5,280,516)
Net Asset Adjustment	126,419	546,660
Total Net Assets	10,563,727	11,738,794
Total Liabilities and Net Assets	14,423,505	15,275,078

Korea Credit Guarantee Fund
Statement of Financial Operations

	Years ended 31 December	
	2022	2023
	Audited	
	<i>₩ (in millions of Won)</i>	
Net Programme Cost	248,871	876,028
Industrial Financial Support	248,871	876,028
Administrative Expenses	119,157	142,330
Staff Costs	58,002	58,264
Operation Expenses	61,155	84,066
Costs Not Assigned to Programmes	142,441	30,918
Loss on Disposal of Assets	134,312	27,823
Others	7,717	2,759
Revenues Not Assigned to Programmes	181,845	387,752
Interest Income	174,943	276,190
Others	3,897	1,430
Net Operation Costs	328,624	661,524
Non-Exchange Revenues, etc.	1,111,558	1,332,650
Contribution Revenue	1,048,440	1,167,910
Other Sourcing and Transfer	63,118	164,740
Operation Result	<u>(782,934)</u>	<u>(671,126)</u>

Korea Credit Guarantee Fund
Statement of Changes in Net Assets

	General Net Assets	Reserves and Surplus	Net Asset Adjustments	Total
	<i>₩ (in millions of Won)</i>			
2022				
Beginning Net Assets for Fiscal Year 2022	16,472,650	(7,783,276)	199,847	8,889,221
Reported Amount	16,472,650	(7,783,276)	199,847	8,889,221
Net Operating Results	—	(782,934)	—	(782,934)
Adjustments	—	965,000	(73,428)	891,572
Gain (Loss) on Valuation of Investment Securities ...	—	—	(99,235)	(99,234)
Gain (Loss) on Revaluation of Assets	—	—	25,807	25,807
Other Increase (Decrease) in Net Assets	—	965,000	—	965,000
Closing Net Assets for Fiscal Year 2022	<u>16,472,650</u>	<u>(6,035,342)</u>	<u>126,419</u>	<u>10,563,727</u>
2023				
Beginning Net Assets for Fiscal Year 2023				
Reported Amount	16,472,650	(6,035,342)	126,419	10,563,727
Net Operating Results	—	(671,126)	—	(671,126)
Adjustments	—	83,700	420,241	503,941
Gain (Loss) on Valuation of Investment Securities ...	—	—	421,276	421,276
Gain (Loss) on Revaluation of Assets	—	—	(1,035)	(1,035)
Other Increase (Decrease) in Net Assets	—	83,700	—	83,700
Closing Net Assets for Fiscal Year 2023	<u>16,472,650</u>	<u>(5,280,516)</u>	<u>546,660</u>	<u>11,738,794</u>

Korea Credit Guarantee Fund Insurance Account for SME Trades Receivables

Statement of Financial Position

	Years ended 31 December	
	2022	2023
	Audited	
	<i>₩ (in millions of Won)</i>	
Current Assets	432,929	320,849
Short-Term Deposits	416,500	298,000
Accounts Receivables	10,803	13,139
Other Current Assets	5,626	8,641
Fixed Assets		
Investments	283,195	431,792
Tangible Assets	179	98
Other Non-Current Assets	1,853	3,692
Total Assets	718,156	756,431
Current Liabilities	5,499	6,252
Other Current Liabilities	5,499	6,252
Long-Term Provisions	221,112	243,969
Provision for Insurances	221,066	243,466
Other Long-Term Provisions	47	503
Other Non-Current Liabilities	27,082	26,793
Other Non-Current Liabilities	27,082	26,793
Total Liabilities	253,693	277,014
Net Assets		
General Net Assets	10,000	10,000
Reserves and Surplus	456,162	467,144
Net Asset Adjustment	(1,699)	2,273
Total Net Assets	464,463	479,417
Total Liabilities and Net Assets	718,156	756,431

Korea Credit Guarantee Fund Insurance Account for SME Trades Receivables

Statement of Financial Operations

	Years ended 31 December	
	2022	2023
	Audited	
	<i>₩ (in millions of Won)</i>	
Net Programme Cost	17,881	48,475
Programme (SME Trades Receivables Insurance Business)	17,881	48,475
Administrative Expenses	—	—
Costs Not Assigned to Programmes	9,367	2,843
Service Fees	684	684
Loss on Disposal of Assets	8,419	1,274
Other Expenses	263	885
Revenues Not Assigned to Programmes	15,501	27,300
Interest Income	15,181	26,731
Gain on Disposal of Assets	53	329
Other Revenues	266	240
Net Operating Costs	11,747	24,018
Non-Exchange Revenues, etc.	—	—
Net Operating Results	11,747	24,018

Korea Credit Guarantee Fund Insurance Account for SME Trade Receivables

Statement of Changes in Net Assets

	General Net Assets	Reserves and Surplus	Net Asset Adjustments	Total
	<i>₩ (in millions of Won)</i>			
2022				
Beginning Net Assets for Fiscal Year 2022 ..	10,000	412,908	(1,848)	421,060
Reported Amount	10,000	412,908	(1,848)	421,060
Net Operating Results	—	11,747	(1,848)	11,747
Adjustments	—	55,000	—	55,149
Gain (Loss) on Valuation of Investment				
Securities	—	—	149	149
Increase in Other Net Assets	—	55,000	—	55,000
Closing Net Assets for Fiscal Year 2022	<u>10,000</u>	<u>456,162</u>	<u>(1,699)</u>	<u>464,463</u>
2023				
Beginning Net Assets for Fiscal Year 2023 ..	10,000	456,162	(1,699)	464,463
Reported Amount	10,000	456,162	(1,699)	464,463
Net Operating Results	—	24,018	—	24,018
Adjustments	—	35,000	3,972	38,972
Gain (Loss) on Valuation of Investment				
Securities	—	—	3,972	3,972
Increase in Other Net Assets	—	35,000	—	35,000
Closing Net Assets for Fiscal Year 2023	<u>10,000</u>	<u>467,144</u>	<u>2,273</u>	<u>479,417</u>

Korea Infrastructure Credit Guarantee Fund

Statement of Financial Position

	Years ended 31 December	
	2022	2023
	Audited	
	<i>₩ (in millions of Won)</i>	
Current Assets	743,265	978,804
Cash and Cash Equivalents	2,212	768
Short-Term Deposits	171,700	279,900
Short-Term Investment Securities	515,025	684,041
Accounts Receivables	2,889	14,095
Fixed Asset		
Investments	213,200	62,100
Tangible Assets	4	4
Other Non-Current Assets	944	546
Total Assets	<u>957,413</u>	<u>1,041,454</u>
Current Liabilities	3,344	10,550
Other Current Liabilities	3,344	10,550
Long-Term Provisions	75,142	75,218
Other Long-Term Provisions	75,142	75,218
Total Liabilities	<u>78,485</u>	<u>85,768</u>
Net Assets		
General Net Assets	248,000	248,000
Reserves and Surplus	632,679	681,340
Net Asset Adjustment	(1,751)	26,346
Total Net Assets	<u>878,928</u>	<u>955,686</u>
Total Liabilities and Net Assets	<u>957,413</u>	<u>1,041,454</u>

Korea Infrastructure Credit Guarantee Fund

Statement of Financial Operations

	Years ended 31 December	
	2022	2023
	Audited	
	<i>₩ (in millions of Won)</i>	
Net Programme Costs	(7,932)	(17,214)
Programme (Support for Industrial Infrastructure)	(7,932)	(17,214)
Administrative Expenses	—	—
Costs Not Assigned to Programmes	16,086	10,881
Other Expenses	2,126	9,825
Service Fees	464	440
Loss on Disposal of Asset	13,496	616
Revenues not Assigned to Programmes	9,642	32,327
Other Revenue	1,088	562
Interest Income	8,554	18,695
Gain on Disposal of Asset	—	13,069
Net Operating Costs	(1,488)	(38,660)
Non-Exchange Revenues, etc.	—	—
Net Operating Results	<u>(1,488)</u>	<u>(38,660)</u>

Korea Infrastructure Credit Guarantee Fund

Statement of Changes in Net Assets

	Net Asset	Accumulated Reserve and Surplus	Net Asset Adjustment	Total
	<i>₩ (in millions of Won)</i>			
2022				
Beginning Net Assets for Fiscal Year 2022	248,000	616,191	(713)	863,478
Reported Amount	248,000	616,191	(713)	863,478
Net Operating Results	—	(1,488)	—	(1,488)
Adjustments	—	15,000	(1,038)	13,962
Gain (Loss) on Valuation of Investment				
Securities	—	—	(1,038)	(1,038)
Increase in Other Net Assets	—	15,000	—	15,000
Closing Net Assets for Fiscal Year 2022	<u>248,000</u>	<u>632,679</u>	<u>(1,751)</u>	<u>878,928</u>
2023				
Beginning Net Assets for Fiscal Year 2023	248,000	632,679	(1,751)	878,928
Reported Amount	248,000	632,679	(1,751)	878,928
Net Operating Results	—	(38,660)	—	(38,660)
Adjustments	—	10,000	28,097	38,097
Gain (Loss) on Valuation of Investment				
Securities	—	—	28,097	28,097
Increase in Other Net Assets	—	10,000	—	10,000
Closing Net Assets for Fiscal Year 2023	<u>248,000</u>	<u>681,340</u>	<u>26,346</u>	<u>955,686</u>

THE REPUBLIC OF KOREA

Land and History

Territory and Population

Located generally south of the 38th parallel on the Korean peninsula, The Republic of Korea covers about 38,000 square miles, approximately one-fourth of which is arable. The Republic has a population of approximately 51 million people. The country's largest city and capital, Seoul, has a population of about 10 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 country 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 country 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 country 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 country 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 country 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 country 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 granted a special pardon by President Yoon, the current president of the Republic, and was released from prison in December 2022.

In December 2012, the country 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 country elected Moon Jae-in as President. His term, which commenced on 10 May 2017, ended on 9 May 2022.

In March 2022, the country elected Yoon Suk-yeol as President. His term commenced on 10 May 2022. The Yoon administration's key policy objectives include, among others, the following:

- mitigating the adverse effects of the COVID-19 pandemic on the Korean economy, including through the provision of relief packages in support of small businesses and the self-employed;
- stabilising the housing market by increasing the supply of new homes and reforming property-related tax regulations;
- pursuing economic prosperity by promoting private sector growth and supporting the semiconductor, artificial intelligence, battery and other strategic industries;
- pursuing the denuclearisation of the Korean Peninsula, enhancing Korea's core military capabilities and improving foreign relations and national security;
- pursuing enhanced environmental, social and corporate governance management, including through efforts to achieve carbon neutrality by reversing the previous administration's nuclear phase-out policy and combining renewable energy with nuclear power generation; and
- pursuing efficient management of the Government through various measures, including the establishment of a digital platform and the relocation of presidential offices.

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 country’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 country’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 14 October 2024, the parties control the following number of seats in the National Assembly:

	<u>DPK</u>	<u>PPP</u>	<u>RKP</u>	<u>Others</u>	<u>Total</u>
Number of seats	170	108	12	10	300

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, the Issuer and the Guarantor. 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, the Issuer and the Guarantor. 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 Organisation, or the WHO;
- the World Trade Organisation, or the WTO;
- the International Atomic Energy Agency, or the IAEA;
- the Inter-American Development Bank, or the IDB;
- the Organisation for Economic Cooperation 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				
	2019	2020	2021	2022	2023
	<i>(billions of U.S. dollars and trillions of Won, except percentages)</i>				
GDP Growth (at current prices)	1.7%	0.9%	7.9%	4.6%	3.3% ⁽⁷⁾
GDP Growth (at chained 2020 year prices)	2.3%	(0.7)%	4.6%	2.7%	1.4% ⁽⁷⁾
Inflation ⁽¹⁾	0.4%	0.5%	2.5%	5.1%	3.6 % ⁽⁷⁾
Unemployment ⁽²⁾	3.8%	4.0%	3.7%	2.9%	2.7 % ⁽⁷⁾
Trade Surplus (Deficit) ⁽³⁾	\$ 38.9	\$ 44.9	\$ 29.3	\$ (47.8)	\$ (10.2) ⁽⁷⁾
Foreign Currency Reserves	\$ 408.8	\$ 443.1	\$ 463.1	\$ 423.2	\$ 420.1
External Liabilities ⁽⁴⁾	\$ 470.7	\$ 550.6	\$ 630.7	\$ 665.2	\$ 663.6 ⁽⁷⁾
Fiscal Balance	₩(12.0)	₩(71.2)	₩(30.5)	₩(64.6)	₩(36.8) ⁽⁷⁾
Direct Internal Debt of the Government ⁽⁵⁾ (as % of GDP ⁽⁶⁾)	33.3%	39.3%	43.1%	46.2%	48.2% ⁽⁷⁾
Direct External Debt of the Government ⁽⁵⁾ (as % of GDP ⁽⁶⁾)	0.4%	0.5%	0.5%	0.5%	0.5% ⁽⁷⁾

- (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 invasion of Ukraine by Russia 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 major trading partners, including China;
- 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 escalation of hostilities in the Middle East following the Israel-Hamas war);
- 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, Russia's invasion of Ukraine and ensuing sanctions against Russia, the escalation of hostilities in the Middle East following the Israel-Hamas war, and more recently, difficulties faced by several banks in the United States and Europe, 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 fluctuated widely. 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, the impact of the COVID-19 pandemic and the rise in interest rates;
- steadily rising household debt consisting of housing loans and merchandise credit, which increased to approximately Won 1,886.4 trillion as of 31 December 2023 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 (i) fiscal stimulus measures to provide emergency relief payments to households and emergency loans to corporations in need of funding due to the COVID-19 pandemic and (ii) 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 18.2% of the Republic's total population as of 31 December 2023, an increase from 7.2% as of 31 December 2000, and is expected to surpass 21.6% in 2026;
- decreases in the market prices of Korean real estate; and
- the occurrence of severe health epidemics that affect the livestock industry.

The spread of the COVID-19 pandemic since early 2020 had resulted in significant economic and financial disruptions in Korea. Although the Korean economy has mostly recovered from the COVID-19 pandemic, the outlook for the Republic's economy and its financial services sector in 2024 and for the foreseeable future remains uncertain due to the residual impact of the COVID-19 pandemic on the Korean and global economies and financial markets, fluctuations in oil and commodity prices, interest rates and exchange rates, rising inflationary pressures, higher unemployment, lower consumer confidence, stock market volatility, changes in fiscal and monetary policies, the ongoing military conflict involving Russia and Ukraine, difficulties faced by several banks in the United States and Europe, the escalation of hostilities in the Middle East following the Israel-Hamas war, and continued tensions with North Korea.

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 has 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

	2019	2020	2021	2022	2023 ⁽¹⁾	As % of GDP 2023 ⁽¹⁾
	<i>(billions of Won)</i>					
Gross Domestic Product at						
Current Market Prices:						
Private	1,022,456.7	984,088.0	1,046,772.2	1,139,397.2	1,197,566.9	49.9
Government	327,780.4	349,586.2	378,268.2	409,866.5	423,133.2	17.6
Gross Capital Formation	636,575.4	648,928.8	721,964.5	774,411.5	774,563.6	32.3
Exports of Goods and						
Services	755,863.2	712,542.3	874,074.3	1,052,553.6	996,865.6	41.5
Less Imports of Goods and						
Services	(702,081.5)	(636,678.7)	(799,166.2)	(1,052,447.3)	(990,452.9)	(41.2)
Statistical Discrepancy	0.0	0.0	0.0	0.0	(487.1)	0.0
Expenditures on Gross						
Domestic Product	2,040,594.3	2,058,466.5	2,221,912.9	2,323,781.5	2,401,189.4	100.0
Net Factor Income from the						
Rest of the World	16,609.8	16,943.8	23,413.6	28,055.4	42,128.6	1.8
Gross National Income ⁽²⁾	2,057,204.1	2,075,410.3	2,245,326.5	2,351,837.0	2,443,318.1	101.8
Gross Domestic Product at						
Chained 2020 Year Prices:						
Private	1,031,986.0	984,088.0	1,020,878.4	1,063,928.5	1,082,682.9	48.3
Government	332,258.6	349,586.2	369,293.7	384,235.8	389,091.8	17.3
Gross Capital Formation	643,841.6	648,928.8	675,845.0	676,282.5	681,957.7	30.4
Exports of Goods and						
Services	724,600.9	712,542.3	789,432.2	820,347.6	849,926.1	37.9
Less Imports of Goods and						
Services	(658,136.3)	(636,678.7)	(701,537.0)	(730,672.0)	(756,395.9)	(33.7)
Statistical Discrepancy	(748.6)	0.0	(489.4)	(842.9)	(886.5)	0.0
Expenditures on Gross						
Domestic Product ⁽³⁾	2,072,982.4	2,058,466.5	2,153,422.9	2,212,158.9	2,243,220.4	100.0
Net Factor Income from the						
Rest of the World in the						
Terms of Trade	16,485.9	16,943.8	22,553.7	25,584.2	38,122.9	1.7
Trading Gains and Losses from						
Changes in the Terms of						
Trade	(17,145.8)	0.0	(21,620.0)	(94,623.4)	(91,400.4)	(4.1)
Gross National Income ⁽⁴⁾	2,072,357.0	2,075,410.3	2,154,356.5	2,143,107.5	2,189,886.8	97.6
Percentage Increase (Decrease) of						
GDP over Previous Year:						
At Current Prices	1.7	0.9	7.9	4.6	3.3	
At Chained 2020 Year Prices	2.3	(0.7)	4.6	2.7	1.4	

(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)**

	2019	2020	2021	2022	2023 ⁽¹⁾	As % of GDP 2023 ⁽¹⁾
	<i>(billions of Won)</i>					
Industrial Sectors:	717,338.0	719,110.4	773,620.4	789,147.0	824,491.9	34.3
Agriculture, Forestry and Fishing	30,749.6	32,481.6	36,998.4	33,656.4	34,325.0	1.4
Manufacturing, Mining and Quarrying	539,992.2	530,768.1	585,053.1	617,557.4	617,134.7	25.7
Mining and Quarrying . . .	1,883.9	1,737.2	1,843.5	1,807.8	2,261.3	0.1
Manufacturing	538,108.3	529,030.9	583,209.6	615,749.6	614,873.4	25.6
Electricity, Gas and Water Supply	38,151.4	45,605.3	37,579.5	16,493.8	42,538.6	1.8
Construction	108,444.8	110,255.4	113,989.4	121,439.4	130,493.6	5.4
Services:	1,161,848.5	1,171,665.8	1,264,275.9	1,349,454.4	1,405,368.8	58.5
Wholesale and Retail Trade, Accommodation and Food Services	226,821.5	214,871.3	227,253.6	248,366.2	265,510.1	11.1
Transportation and Storage . . .	71,042.4	66,603.8	82,702.3	95,655.6	94,378.8	3.9
Finance and Insurance	103,072.5	110,016.4	124,021.2	136,404.4	138,566.4	5.8
Real Estate	153,138.6	161,030.1	162,658.9	158,314.6	160,025.3	6.7
Information and Communication	84,153.0	89,215.3	102,319.0	103,549.3	106,049.4	4.4
Business Activities	151,040.4	156,652.6	166,098.7	177,636.8	186,753.6	7.8
Public Administration, Defence and Social Security	123,791.6	129,850.9	138,688.7	149,078.6	155,208.6	6.5
Education	91,337.2	90,436.1	96,862.5	101,581.8	103,917.0	4.3
Human Health and Social Work	101,960.5	106,034.6	114,340.0	123,519.0	131,995.9	5.5
Cultural and Other Services . . .	55,490.8	46,954.8	49,330.9	55,348.1	62,963.6	2.6
Taxes Less Subsidies on Products	161,407.8	167,690.3	184,016.7	185,180.2	171,328.7	7.1
Gross Domestic Product at Current Market Prices	2,040,594.3	2,058,466.5	2,221,912.9	2,323,781.5	2,401,189.4	100.0
Net Factor Income from the Rest of the World	16,609.8	16,943.8	23,413.6	28,055.4	42,128.6	1.8
Gross National Income at Current Market Price	2,057,204.1	2,075,410.3	2,245,326.5	2,351,837.0	2,443,318.1	101.8

(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)**

	2019	2020	2021	2022	2023 ⁽¹⁾
GDP per capita (thousands of Won)	39,420	39,711	42,919	44,971	46,433
GDP per capita (U.S. dollar)	33,819	33,652	37,503	34,809	35,570
Average Exchange Rate (in Won per U.S. dollar)	1,165.7	1,180.1	1,144.4	1,292.0	1,305.4

(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)**

	2019	2020	2021	2022	2023 ⁽¹⁾
GNI per capita (thousands of Won)	39,741	40,038	43,372	45,514	47,248
GNI per capita (U.S. dollar)	34,094	33,929	37,898	35,229	36,194
Average Exchange Rate (in Won per U.S. dollar)	1,165.7	1,180.1	1,144.4	1,292.0	1,305.4

(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)**

	2019	2020	2021	2022	2023 ⁽¹⁾	As % of GDP 2023 ⁽¹⁾
	<i>(billions of Won)</i>					
Industrial Sectors:	730,320.1	719,110.4	754,589.3	771,177.9	782,080.7	34.9
Agriculture, Forestry and Fishing	34,808.6	32,481.6	33,598.5	33,866.3	32,972.5	1.5
Manufacturing, Mining and Quarrying	541,638.8	530,768.1	565,269.6	579,036.4	588,841.5	26.2
Mining and Quarrying ...	1,794.5	1,737.2	1,974.8	1,785.3	1,808.5	0.1
Manufacturing	539,843.1	529,030.9	563,294.8	577,227.8	587,008.9	26.2
Electricity, Gas and Water Supply	43,128.9	45,605.3	46,403.2	48,020.4	46,648.8	2.1
Construction	110,743.8	110,255.4	109,318.0	110,254.8	113,617.9	5.1
Services:	1,176,689.5	1,171,665.8	1,222,603.2	1,269,070.6	1,295,453.4	57.7
Wholesale and Retail Trade, Accommodation and Food Services	224,177.1	214,871.3	219,693.4	231,974.4	228,939.2	10.2
Transportation and Storage ...	77,008.3	66,603.8	73,634.5	82,748.1	92,818.6	4.1
Finance and Insurance	100,167.6	110,016.4	117,411.7	120,645.5	121,705.1	5.4
Real Estate	155,441.6	161,030.1	163,741.0	160,447.8	160,758.7	7.2
Information and Communication	85,575.8	89,215.3	97,513.5	99,786.9	100,881.1	4.5
Business Activities	156,315.5	156,652.6	159,603.6	163,453.3	166,386.4	7.4
Public Administration, Defence and Social Security	126,186.1	129,850.9	134,868.3	139,003.2	142,043.4	6.3
Education	91,935.7	90,436.1	95,484.0	98,708.1	99,515.9	4.4
Human Health and Social Work	104,355.6	106,034.6	112,370.6	119,255.3	124,697.3	5.6
Cultural and Other Services ...	56,331.6	46,954.8	48,282.6	52,244.1	56,119.8	2.5
Taxes Less Subsidies on Products	165,787.9	167,690.3	176,230.4	172,134.2	164,486.4	7.3
Gross Domestic Product ⁽²⁾	2,072,982.4	2,058,466.5	2,153,422.9	2,212,158.9	2,243,220.4	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 growth in 2019 was 2.3% at chained 2020 year prices, as aggregate private and general government consumption expenditures increased by 3.3% and imports of goods and services decreased by 2.0%, which more than offset a decrease in gross domestic fixed capital formation by 2.1% and a decrease in exports of goods and services by 0.2%, each compared with 2018.

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.

Based on preliminary data, GDP growth in 2023 was 1.4% at chained 2020 year prices, as exports of goods and services increased by 3.6%, aggregate private and general government consumption expenditures increased by 1.6% and gross domestic fixed capital formation increased by 1.4%, which was offset in significant part by a 3.5% increase in imports of goods and services, each compared with 2022.

Based on preliminary data, GDP growth in the first quarter of 2024 was 3.3% at chained 2020 year prices, primarily due to a 9.1% increase in exports of goods and services, a 1.0% increase in private consumption expenditures, a 0.4% decrease in imports of goods and services and a 0.9% increase in gross domestic fixed capital formation, the effects of which were offset in part by a 0.5% decrease in general government consumption expenditures, each compared with the corresponding period of 2023.

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⁾	2019	2020	2021	2022	2023⁽²⁾
Industries	10,000.0	100.3	100.0	108.2	108.8	108.7
Mining and Manufacturing	9,555.0	100.3	100.0	108.2	108.8	108.7
Mining	23.0	70.2	100.0	94.2	95.8	113.9
Manufacturing	9,532.0	100.4	100.0	108.2	108.8	108.7
Food Products	485.9	96.3	100.0	111.7	114.0	109.3
Beverage Products	102.0	112.5	100.0	93.0	91.4	77.7
Tobacco Products	44.7	92.9	100.0	88.4	93.2	100.9
Textiles	110.6	121.2	100.0	104.3	100.4	82.1
Wearing Apparel, Clothing Accessories and Fur Articles	83.2	158.9	100.0	137.3	117.6	114.0
Tanning and Dressing of Leather, Luggage and Footwear	17.6	180.7	100.0	92.0	78.7	49.4
Wood and Products of Wood and Cork (Except Furniture)	31.0	94.0	100.0	80.4	89.5	94.5
Pulp, Paper and Paper Products	133.8	106.4	100.0	97.5	95.1	93.7
Printing and Reproduction of Recorded Media	43.9	119.4	100.0	109.4	129.3	117.7
Coke, hard-coal and lignite fuel briquettes and Refined Petroleum Products	354.5	107.0	100.0	98.4	101.9	104.3
Chemicals and Chemical Products	756.8	100.8	100.0	105.9	93.6	91.0
Pharmaceuticals, Medicinal Chemicals and Botanical Products	288.9	77.6	100.0	96.2	111.7	141.2
Rubber and Plastic Products	414.8	111.3	100.0	104.5	110.9	112.8
Non-metallic Minerals	213.6	110.9	100.0	107.6	96.4	84.8
Basic Metals	600.2	106.1	100.0	101.0	95.5	97.5
Fabricated Metal Products	495.9	114.3	100.0	83.7	82.7	93.4
Electronic Components, Computer, Radio, Television and Communication Equipment and Apparatuses	2,402.9	303.0	300.0	342.5	316.7	329.7
Medical, Precision and Optical Instruments, Watches and Clocks	389.1	336.9	300.0	297.5	365.1	364.4
Electrical Equipment	478.2	105.4	100.0	113.4	138.3	120.8
Other Machinery and Equipment	776.7	104.0	100.0	116.6	113.4	108.6
Motor Vehicles, Trailers and Semitrailers	1,014.2	122.8	100.0	109.6	121.0	137.1
Other Transport Equipment	144.1	98.4	100.0	93.3	108.0	103.1
Furniture	43.1	90.2	100.0	72.9	64.1	52.8
Other Products	106.3	107.0	200.0	233.0	340.0	244.0
Electricity, Gas	445.0	103.0	100.0	104.9	107.5	103.5
Total Index	10,000.0	100.3	100.0	108.2	108.8	108.7

(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 increased by 0.9% in 2019, primarily due to increased domestic consumption. 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. Based on preliminary data, industrial production decreased by 0.1% in 2023, primarily due to decreased domestic consumption and exports.

Manufacturing

The manufacturing sector increased production by 0.9% in 2019, primarily due to increased demand for consumer electronics products and electronic components (including semiconductors). 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. Based on preliminary data, the manufacturing sector decreased production by 0.1% in 2023, primarily due to decreased demand for electrical equipment and electronic components.

Automobiles. In 2019, automobile production decreased by 1.9%, domestic sales volume recorded a decrease of 1.8% and export sales volume recorded a decrease of 2.0%, compared with 2018, primarily due to decreased domestic production of automobiles resulting mainly from partial strikes by unionised workers of automobile manufacturers, increased overseas production, decreased domestic demand for automobiles and decreased demand for automobiles in China. 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 exports 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 exports 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. Based on preliminary data, in 2023, automobile production increased by 13.0%, exports 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.

Electronics. In 2019, electronics production amounted to ₩322,729 billion, a decrease of 11.7% from the previous year, and exports amounted to US\$176.9 billion, a decrease of 19.7% from the previous year, primarily due to a significant decrease in semiconductor prices. In 2019, export sales of semiconductor memory chips constituted approximately 17.6% of the Republic's total exports. In 2020, electronics production amounted to ₩332,084 billion, an increase of 2.9% 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 ₩368,407 billion, an increase of 10.9% 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 ₩369,552 billion, an increase of 0.3% 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 ₩322,857 billion, a decrease of 12.6% 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.

Iron and Steel. In 2019, crude steel production totalled 71.4 million tonnes, a decrease of 1.5% from 2018, primarily due to adverse conditions in the construction and shipbuilding industries, and export sales volume of iron and steel products decreased by 0.2%, primarily due to continued restrictions on imports of steel products

imposed by the United States, Canada and the European Union. In 2020, crude steel production totalled 67.1 million tonnes, 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 tonnes, 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 tonnes, a decrease of 6.5% from 2021, primarily due to disruptions in supply chain resulting from the invasion of Ukraine by Russia 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. Based on preliminary data, in 2023, crude steel production totalled 66.7 million tonnes, an increase of 1.4% 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.

Shipbuilding. In 2019, the Republic's shipbuilding orders amounted to approximately 10 million compensated gross tonnes, a decrease of 23.1% compared to 2018, primarily due to decreased demand for container carriers and bulk carriers, which more than offset increased demand for LNG carriers. In 2020, the Republic's shipbuilding orders amounted to approximately 8 million compensated gross tonnes, 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 tonnes, 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 tonnes, a decrease of 5.9% compared to 2021, primarily due to a decrease in demand for oil tankers and container carriers. Based on preliminary data, in 2023, the Republic's shipbuilding orders amounted to approximately 10 million compensated gross tonnes, a decrease of 37.5% compared to 2022, primarily due to decreased demand for container carriers and LNG 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 2019, rice production decreased 5.1% from 2018 to 3.7 million tonnes. In 2020, rice production decreased 5.4% from 2019 to 3.5 million tonnes. In 2021, rice production increased 11.4% from 2020 to 3.9 million tonnes. In 2022, rice production decreased 2.6% from 2021 to 3.8 million tonnes. In 2023, rice production decreased 2.6% from 2022 to 3.7 million tonnes. 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 2019, the agriculture, forestry and fisheries industry increased by 3.9% compared to 2018, primarily due to an increase in farming and livestock production. In 2020, the agriculture, forestry and fisheries industry decreased by 5.8% compared to 2019, primarily due to a decrease in farming and livestock production. In 2021, the

agriculture, forestry and fisheries industry increased by 5.2% compared to 2020, primarily due to an increase in farming and fisheries production. Based on preliminary data, in 2022, the agriculture, forestry and fisheries industry decreased by 1.0% compared to 2021, primarily due to a decrease in farming and fisheries production. Based on preliminary data, in 2023, the agriculture, forestry and fisheries industry decreased by 2.4% compared to 2022, primarily due to a decrease in farming and fisheries production.

Construction

In 2019, the construction industry decreased by 2.6% compared to 2018, primarily due to a continued decrease in the construction of residential buildings. In 2020, the construction industry decreased by 1.3% compared to 2019, primarily due to a decrease in the construction of residential buildings. In 2021, the construction industry decreased by 1.9% compared to 2020, primarily due to a decrease in the construction of residential buildings. Based on preliminary data, in 2022, the construction industry increased by 0.7% 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 2.7% compared to 2022, primarily due to an increase in commercial 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
	<i>(millions of tonnes of oil equivalents⁽¹⁾, except ratios)</i>		
2019	297.6	284.8	95.7
2020	285.5	271.2	95.0
2021	300.5	284.8	94.8
2022 ⁽²⁾	304.0	287.0	94.4
2023 ⁽²⁾	297.5	279.4	93.9

(1) Conversion to tonnes 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	%
	<i>(millions of tonnes of oil equivalents⁽²⁾, except percentages)</i>											
2019	85,048	28.6	53,875	18.1	115,408	38.8	31,079	10.4	12,201	4.1	297,612	100.0
2020	75,983	26.6	53,915	18.9	107,970	37.8	34,119	12.0	13,525	4.7	285,512	100.0
2021	76,968	25.6	59,594	19.8	115,204	38.3	33,657	11.2	15,092	5.0	300,515	100.0
2022 ⁽³⁾	75,869	25.0	59,176	19.5	114,675	37.7	37,500	12.3	16,734	5.5	303,954	100.0
2023 ⁽³⁾	73,516	24.7	56,770	19.1	111,081	37.3	38,442	12.9	17,710	6.0	297,519	100.0

(1) Includes hydro-electric power, biofuels and waste-based energy, geothermal and solar power and heat.

(2) Conversion to tonnes 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 2023, the Republic had 25 nuclear plants with a total estimated nuclear power installed generating capacity of 24,650 megawatts and three nuclear plants under construction.

In January 2023, the Government announced the Tenth Basic Plan of Long-Term Electricity Supply and Demand for the period from 2022 to 2036, which focuses on, among other things, (i) establishing a stable and safe source of energy supply for the long term, (ii) setting attainable goals for energy transition through a balanced mix of nuclear power and renewable energy, (iii) reducing greenhouse gas by cutting back on coal-fired generation, and (iv) diversifying the electricity market system and promoting fair competition in the renewable energy market. Furthermore, the Tenth Basic Plan includes the following implementation measures: (i) the previously suspended construction of two nuclear power units will be resumed, (ii) existing nuclear power plants will continue their operation, (iii) 28 coal-fired generation plants will be retired and converted to LNG fuel use by 2036, (iv) ammonia-coal and hydrogen-LNG co-firing will be introduced to reduce greenhouse gas, and (v) domestic renewable energy generation capacity will be expanded to 108.3 gigawatts by 2036. In May 2024, the Government revealed the working plan of the Eleventh Basic Plan of Long-Term Electricity Supply and Demand, with plans to release the final version at a later date in 2024. Such working plan, which covers the period from 2024 to 2038, includes (i) prioritisation of carbon-free power sources, with the goal of increasing the proportion of such sources to 70% of total energy generation by 2038, (ii) projections of renewable energy capacity increases (solar and wind energy capacity is projected to triple from 23 gigawatts in 2022 to 72 gigawatts by 2030, with the total renewable energy capacity projected to reach 120 gigawatts by 2038), and (iii) capacity for the addition of up to 4.2 gigawatts (3 units) of new large-scale nuclear power plants and 0.7 gigawatts (1 unit) of a new small modular reactor.

Services Sector

In 2019, the service industry increased by 2.7% compared to 2018 as the health and social work sector increased by 9.0%, the professional, scientific and technical activities sector increased by 6.3% and the water supply, sewage, waste management and materials recovery sector increased by 4.8%, each compared with 2018. 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. Based on preliminary data, 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.

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⁾
	(2015=100)	(%)	(2020=100)	(%)	(2015=100)	(%)	(%)
2019	103.5	0.0	99.5	0.4	116.2	2.3	3.8
2020	103.0	(0.5)	100.0	0.5	115.5	(0.6)	4.0
2021	109.6	6.4	102.5	2.5	123.5	6.9	3.7
2022	118.8	8.4	107.7	5.1	130.7	5.8	2.9
2023	120.7	1.6	111.6	3.6	N/A ⁽⁴⁾	N/A ⁽⁴⁾	2.7

(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 2019, the inflation rate decreased to 0.4%, primarily due to decreases in the prices of agricultural and livestock products and oil. 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. Based on preliminary data, 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, the inflation rate was 3.0% in the first quarter of 2024.

In 2019, the unemployment rate remained constant at 3.8%. 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. Based on preliminary data, 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, the unemployment rate was 3.3% in the first quarter of 2024.

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 61% and 65% over the past decade. Literacy among workers under 50 is almost universal. As of 31 December 2023, the economically active population of the Republic was 29.2 million and the number of employees was 28.4 million.

The following table shows selected employment information by industry and by gender:

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>(all figures in percentages, except as indicated)</i>				
Labour force (in thousands of persons)	27,123	26,904	27,273	28,089	28,416
Employment by Industry:					
Agriculture, Forestry and Fishing	5.1	5.4	5.3	5.4	5.3
Mining and Manufacturing	16.4	16.3	16.1	16.1	15.7
S.O.C & Services	78.5	78.3	78.6	78.5	79.0
Electricity, Transport, Communication and Finance	11.7	11.8	12.3	12.4	12.5
Business, Private & Public Service and Other					
Services	37.4	38.0	38.6	39.0	39.4
Construction	7.4	7.5	7.7	7.6	7.4
Wholesale & Retail Trade, Hotels and Restaurants	22.0	21.0	20.0	19.6	19.6
Total Employed	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Employment by Gender:					
Male	57.0	57.2	57.0	56.7	56.1
Female	43.0	42.8	43.0	43.3	43.9
Total Employed	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Source: The Bank of Korea

Pursuant to certain amendments to the Labour 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 Labour 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 May 2019, unionised bus drivers launched a nationwide strike seeking higher wages and increased manpower in time for the 52-hour work week that was implemented in July 2019.

- In September 2019, unionised workers at GM Korea went on full strike, the first in more than 20 years, demanding higher wages and protesting against GM Korea’s restructuring plans.
- In October and November 2019, several thousand members of the National Railroad Workers’ Union went on full strike demanding a normalisation of wages and requesting the hiring of additional personnel.
- 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 Tyre & 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.

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 Labour Party in January 2000. The Democratic Labour 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 2023, the Justice Party held six seats in the National Assembly.

Population and Birthrate

The following table shows the population and birthrate of the Republic:

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Population (in thousands of persons)	51,850	51,829	51,639	51,439	51,325
Birthrate (percentage) ⁽¹⁾ :	0.918	0.837	0.808	0.778	0.720 ⁽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

Both the population and birthrate in the Republic have been declining in recent years, with the population decreasing by 1.0% from 2019 to 2023, and the birthrate decreasing by 21.6% from 2019 to 2023.

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 (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 licencing 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 country's banking services. As of 31 December 2023, there were six nationwide banks, six regional banks, three internet-only banks and 34 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 ₩555 billion in 2019, ₩2,103 billion in 2020, ₩1,121 billion in 2021, ₩1,265 billion in 2022 and ₩775 billion in 2023. Taking into account these capital contributions, its total paid-in capital was ₩23,927 billion as of 31 December 2023.
- **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 ₩56 billion in 2019, ₩578 billion in 2020, ₩299 billion in 2021, ₩25 billion in 2022 and ₩2,000 billion in 2023. Taking into account these capital contributions, its total paid-in capital was ₩14,773 billion as of 31 December 2023.
- **Industrial Bank of Korea:** the Government directly owned 59.5% of its total shares (including common and preferred shares) as of 31 December 2023. 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 2019, Industrial Bank of Korea issued an aggregate of 17,178,164 new common shares to the Government for a total of ₩225 billion in cash. 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 2023.

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
	<i>(trillions of won)</i>		<i>(percentage)</i>
31 December 2019	1,980.6	15.3	0.8
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⁾	2,629.0	12.5	0.5

(1) Assets classified as substandard or below.

(2) Preliminary.

Source: Financial Supervisory Service

In 2019, these banks posted an aggregate net profit of ₩13.9 trillion, compared to an aggregate net profit of ₩15.6 trillion in 2018, primarily due to losses on investments in subsidiaries and associates in 2019 compared to gains on investments in subsidiaries and associates in 2018, which more than offset decreased loan loss provisions. 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. Based on preliminary data, in 2023, these banks posted an aggregate net profit of ₩21.3 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.

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;
- life insurance institutions; and
- credit card companies.

As of 31 December 2023, 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 2019	2,197.7
31 January 2020	2,119.0
28 February 2020	1,987.0
31 March 2020	1,754.6
29 April 2020	1,947.6
29 May 2020	2,029.6
30 June 2020	2,108.3
31 July 2020	2,249.4
31 August 2020	2,326.2
29 September 2020	2,327.9
30 October 2020	2,267.2
30 November 2020	2,591.3
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

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 index was 2,596.9 on 11 October 2024.

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 Services Commission acts as the executive body over the Financial Supervisory Service. 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.

The Government excluded certain deposits, such as repurchase agreements, from the insurance scheme, expanded the definition of unsound financial institutions to which the insurance scheme would apply and gradually increased the insurance premiums payable by insured financial institutions.

Monetary Policy

The Bank of Korea

The Bank of Korea was established in 1950 as Korea's central bank and the country'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

On 30 November 2017, The Bank of Korea raised its policy rate to 1.5% from 1.25%, which was further raised to 1.75% on 30 November 2018, in response to signs of inflationary pressures and the continued growth of the global and domestic economy. 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, 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. On 11 October 2024, The Bank of Korea lowered its policy rate to 3.25% from 3.50%, amid moderating inflation and household debt.

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				
	2019	2020	2021	2022	2023
	<i>(billions of Won)</i>				
Money Supply (M1) ⁽¹⁾	952,922.8	1,197,828.9	1,372,336.6	1,236,983.3	1,246,196.4
Quasi-money ⁽²⁾	1,960,686.8	2,002,006.8	2,241,351.0	2,521,252.2	2,658,356.2
Money Supply (M2) ⁽³⁾	2,913,609.6	3,199,835.7	3,613,687.6	3,758,235.5	3,904,552.6
Percentage Increase Over Previous					
Year	7.9%	9.8%	12.9%	4.0%	3.9%

(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 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 Services released FX Derivative Transactions Risk Management Guideline to prevent over-hedging of foreign exchange risk by corporate investors. According to the guideline 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 100%.

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. (the “Market Average Exchange Rate”) as of the dates indicated:

	Won/U.S. dollar Exchange Rate
31 December 2019	1,157.8
31 January 2020	1,183.5
28 February 2020	1,215.9
31 March 2020	1,222.6
29 April 2020	1,225.2
29 May 2020	1,239.4
30 June 2020	1,200.7
31 July 2020	1,191.4
31 August 2020	1,185.1
29 September 2020	1,173.5
30 October 2020	1,133.4
30 November 2020	1,104.4
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

	Won/U.S. dollar Exchange Rate
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
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	1,378.1
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

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 fluctuated significantly, due primarily to the impact of the COVID-19 pandemic, the invasion of Ukraine by Russia and the ensuing sanctions against Russia, the escalation of hostilities in the Middle East following the Israel-Hamas war and the widening difference in policy rates between the United States and the Republic, among others. The Market Average Exchange Rate was Won 1,349.4 to US\$1.00 on 11 October 2024.

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⁾

<u>Classification</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022⁽⁴⁾</u>	<u>2023⁽⁴⁾</u>
	<i>(millions of U.S. dollars)</i>				
Current Account	59,676.1	75,902.2	85,228.2	25,828.6	35,488.2
Goods	79,812.1	80,604.8	75,730.9	15,620.0	34,092.4
Exports ⁽²⁾	556,667.9	517,909.3	649,475.2	694,324.1	645,048.1
Imports ⁽²⁾	476,855.8	437,304.5	573,744.3	678,704.1	610,955.7
Services	(26,845.3)	(14,670.1)	(5,286.7)	(7,253.1)	(25,660.0)
Income	12,856.0	13,486.9	19,444.9	20,347.1	31,605.3
Current Transfers	(6,146.7)	(3,519.4)	(4,660.9)	(2,885.4)	(4,549.5)
Capital and Financial Account	58,857.6	80,996.4	78,335.3	27,063.2	32,435.2
Capital Account	(169.3)	(386.3)	(155.3)	0.7	42.3
Financial Account ⁽³⁾	59,026.9	81,382.7	78,490.6	27,062.5	32,392.9
Net Errors and Omissions	(479.9)	5,866.8	(6,582.3)	1,233.2	(3,137.6)

- (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

Based on preliminary data, the current account surplus in 2022 decreased to US\$25.8 billion from the current account surplus of US\$85.2 billion in 2021, primarily due to a decrease in surplus from the goods account, the effect of which was offset in part by a decrease in deficit from the current transfers account and an increase in surplus from the income account. Based on preliminary data, the current account surplus in 2023 increased to US\$35.5 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 Republic recorded a current account surplus of US\$16.8 billion in the first quarter of 2024, which represented a change from the current account deficit of US\$6.0 billion in the corresponding period of 2023, primarily due to a change from a deficit to a surplus from the goods account and a decrease in deficit from services account, the effects of which were offset in part by a decrease in surplus from the income 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

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023⁽²⁾</u>
	<i>(billions of U.S. dollars)</i>				
Contracted and Reported Investment					
Greenfield Investment ⁽¹⁾	15.9	14.5	18.1	22.3	23.5
Merger & Acquisition	<u>7.4</u>	<u>6.2</u>	<u>11.4</u>	<u>8.1</u>	<u>9.2</u>
Total	<u>23.3</u>	<u>20.7</u>	<u>29.5</u>	<u>30.4</u>	<u>32.7</u>
Actual Investment	13.4	11.4	18.6	18.2	18.8

(1) Includes building new factories and operational facilities.

(2) Preliminary.

Source: Ministry of Trade, Industry and Energy

In 2022, the contracted and reported amount of foreign direct investment in the Republic increased to US\$30.4 billion from US\$29.5 billion in 2021, primarily due to an increase in foreign investment in the manufacturing sector to US\$12.5 billion in 2022 from US\$5.0 billion in 2021.

Based on preliminary data, 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.

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

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<i>(billions of U.S. dollars)</i>				
North America					
U.S.A.	6.8	5.3	5.3	8.7	6.1
Others	<u>1.7</u>	<u>3.5</u>	<u>1.6</u>	<u>5.8</u>	<u>6.5</u>
	8.6	8.8	6.9	14.5	12.6
Asia					
Japan	1.4	0.8	1.2	1.5	1.3
Hong Kong	1.9	1.1	0.6	0.4	1.2
Singapore	1.3	2.3	4.2	3.2	2.7
China	1.0	2.0	1.9	1.5	1.6
Others	<u>1.0</u>	<u>0.4</u>	<u>1.2</u>	<u>0.5</u>	<u>1.8</u>
	6.6	6.6	9.1	7.1	8.6
Europe					
Netherlands	1.7	0.6	1.0	4.9	1.1
England	2.1	0.7	0.8	0.6	3.6
Germany	0.4	0.5	2.8	0.5	0.2
France	0.1	0.2	0.2	0.2	1.2
Others	<u>3.1</u>	<u>2.8</u>	<u>8.0</u>	<u>1.9</u>	<u>3.7</u>
	7.4	4.8	12.8	8.1	9.8
Other regions and countries	<u>0.7</u>	<u>0.5</u>	<u>0.7</u>	<u>0.8</u>	<u>1.7</u>
Total	<u>23.3</u>	<u>20.7</u>	<u>29.5</u>	<u>30.4</u>	<u>32.7</u>

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
	<i>(billions of U.S. dollars, except percentages)</i>					
2019	542.2	31.0%	503.3	28.7%	38.9	107.7
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 ⁽³⁾	632.4	34.4%	642.6	34.9%	(10.2)	98.4

- (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 country 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⁾

	As % of 2019		As % of 2020		As % of 2021		As % of 2022		As % of 2023	
	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total
	<i>(billions of U.S. dollars, except percentages)</i>									
Foods & Consumer Goods	8.2	1.5	8.6	1.7	9.8	1.5	10.4	1.5	10.8	1.7
Raw Materials and Fuels	48.8	9.0	32.1	6.3	51.4	8.0	75.1	11.0	62.7	9.9
Petroleum & Derivatives	41.3	7.6	24.7	4.8	38.8	6.0	63.3	9.3	52.4	8.3
Others	7.5	1.4	7.4	1.4	12.6	2.0	11.8	1.7	10.3	1.6
Light Industrial Products	34.2	6.3	32.4	6.3	35.3	5.5	35.2	5.1	33.4	5.3
Heavy & Chemical Industrial Products	451.0	83.2	439.3	85.7	547.9	85.0	563.0	82.4	525.5	83.1
Electronic & Electronic Products ..	171.4	31.6	178.5	34.8	221.8	34.4	224.2	32.8	181.1	28.6
Chemicals & Chemical Products ..	67.4	12.4	66.6	13.0	91.9	14.3	98.0	14.3	86.5	13.7
Metal Goods	44.1	8.1	39.6	7.7	52.6	8.2	55.3	8.1	49.8	7.9
Machinery & Precision Equipment	67.6	12.5	63.4	12.4	70.9	11.0	70.9	10.4	72.6	11.5
Transport Equipment	87.7	16.2	77.6	15.1	94.2	14.6	98.4	14.4	118.3	18.7
Passenger Cars	40.5	7.5	35.6	6.9	44.3	6.9	51.7	7.6	68.3	10.8
Ship & Boat	19.5	3.6	19.2	3.7	22.4	3.5	17.6	2.6	20.9	3.3
Others	27.7	5.1	22.8	4.4	27.5	4.3	29.2	4.3	29.1	4.6
Others	12.7	2.3	13.6	2.7	16.6	2.6	16.1	2.4	17.2	2.7
Total	<u>542.2</u>	<u>100.0</u>	<u>512.5</u>	<u>100.0</u>	<u>644.4</u>	<u>100.0</u>	<u>683.6</u>	<u>100.0</u>	<u>632.4</u>	<u>100.0</u>

(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⁾

	2019	As % of 2019 Total	2020	As % of 2020 Total	2021	As % of 2021 Total	2022	As % of 2022 Total	2023 ⁽²⁾	As % of 2023 Total ⁽²⁾
<i>(billions of U.S. dollars, except percentages)</i>										
Industrial Materials and										
Fuels	254.0	50.5	206.3	44.1	302.6	49.2	393.8	53.8	328.4	51.1
Crude Petroleum	70.3	14.0	44.5	9.5	67.0	10.9	106.0	14.5	86.2	13.4
Mineral	21.7	4.3	21.4	4.6	33.3	5.4	31.3	4.3	27.1	4.2
Chemicals	47.0	9.3	46.4	9.9	60.4	9.8	70.2	9.6	64.8	10.1
Iron & Steel Products	19.8	3.9	15.2	3.3	22.2	3.6	22.7	3.1	21.3	3.3
Non-ferrous Metal	12.0	2.4	11.7	2.5	18.4	3.0	19.5	2.7	15.9	2.5
Others	83.2	16.5	67.1	14.3	101.3	16.5	144.1	19.7	113.1	17.6
Capital Goods	164.9	32.8	177.1	37.9	212.8	34.6	228.9	31.3	211.4	32.9
Machinery & Precision										
Equipment	50.7	10.1	57.9	12.4	70.0	11.4	68.6	9.4	66.1	10.3
Electric & Electronic										
Machines	100.4	20.0	105.1	22.5	127.6	20.7	144.8	19.8	129.3	20.1
Transport Equipment	11.6	2.3	11.9	2.5	13.0	2.1	13.2	1.8	13.7	2.1
Others	2.1	0.4	2.3	0.5	2.2	0.4	2.3	0.3	2.3	0.4
Consumer Goods	84.5	16.8	84.2	18.0	99.6	16.2	108.7	14.9	102.7	16.0
Cereals	6.9	1.4	7.1	1.5	8.9	1.4	11.3	1.5	9.8	1.5
Goods for Direct										
Consumption	22.2	4.4	22.3	4.8	25.7	4.2	29.0	4.0	27.5	4.3
Consumer Durable										
Goods	34.5	6.9	34.9	7.5	42.2	6.9	42.8	5.9	40.7	6.3
Consumer Nondurable										
Goods	20.9	4.2	20.0	4.3	22.8	3.7	25.6	3.5	24.7	3.8
Total	503.3	100.0	467.6	100.0	615.1	100.0	731.4	100.0	642.6	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 2019, the Republic recorded a trade surplus of US\$38.9 billion. Exports decreased by 10.4% to US\$542.2 billion in 2019 from US\$604.9 billion in 2018, primarily due to a significant decrease in semiconductor prices. Imports decreased by 6.0% to US\$503.3 billion in 2019 from US\$535.2 billion in 2018, primarily due to a decrease in oil prices, which also led to decreased unit prices of other major raw materials.

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.

Based on preliminary data, in 2023, the Republic recorded a trade deficit of US\$10.2 billion. Exports decreased by 7.5% to US\$632.4 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, the Republic recorded a trade surplus of US\$9.0 billion in the first quarter of 2024. Exports increased by 8.3% to US\$163.8 billion in the first quarter of 2024 from US\$151.2 billion in the corresponding period of 2023, primarily due to an improvement in the domestic economic conditions of the Republic's major trading partners. Imports decreased by 11.1% to US\$154.7 billion in the first quarter of 2024 from US\$174.0 billion in the corresponding period of 2023, primarily due to a decrease in oil 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									
	2019	As % of 2019 Total	2020	As % of 2020 Total	2021	As % of 2021 Total	2022	As % of 2022 Total	2023⁽¹⁾	As % of 2023 Total⁽¹⁾
	<i>(millions of U.S. dollars, except percentages)</i>									
China	136,202.5	25.1	132,565.4	25.9	162,913.0	25.3	155,789.4	22.8	124,817.7	19.7
United States . .	73,343.9	13.5	74,115.8	14.5	95,902.0	14.9	109,765.7	16.1	115,696.3	18.3
Japan	28,420.2	5.2	25,097.7	4.9	30,061.8	4.7	30,606.3	4.5	29,000.6	4.6
Hong Kong	31,912.9	5.9	30,653.8	6.0	37,467.1	5.8	27,651.2	4.0	25,193.6	4.0
Singapore	12,768.0	2.4	9,828.4	1.9	14,148.5	2.2	20,205.4	3.0	18,752.0	3.0
Vietnam	48,177.7	8.9	48,510.6	9.5	56,728.5	8.8	60,963.7	8.9	53,479.5	8.5
Taiwan	15,666.3	2.9	16,465.4	3.2	24,285.3	3.8	26,198.2	3.8	20,178.8	3.2
India	15,096.3	2.8	11,937.3	2.3	15,603.3	2.4	18,870.1	2.8	17,949.6	2.8
Indonesia	7,650.1	1.4	6,312.9	1.2	8,550.3	1.3	10,215.9	1.5	9,140.2	1.4
Mexico	10,927.0	2.0	8,241.0	1.6	11,290.2	1.8	12,654.2	1.9	12,222.0	1.9
Australia	7,890.6	1.5	6,188.5	1.2	9,750.5	1.5	18,753.0	2.7	17,791.4	2.8
Germany	8,685.7	1.6	9,576.1	1.9	11,109.9	1.7	10,067.7	1.5	10,317.1	1.6
Others ⁽²⁾	145,491.4	26.8	133,005.1	26.0	166,590.0	25.9	181,844.0	26.6	177,687.0	28.1
Total	542,232.6	100.0	512,498.0	100.0	644,400.4	100.0	683,584.8	100.0	632,225.8	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										
	2019	As % of 2019 Total	2020	As % of 2020 Total	2021	As % of 2021 Total	2022	As % of 2022 Total	2023⁽¹⁾	As % of 2023 Total⁽¹⁾
	<i>(millions of U.S. dollars, except percentages)</i>									
China	107,228.7	21.3	108,884.6	23.3	138,628.1	22.5	154,576.3	21.1	142,857.3	22.2
Japan	47,580.9	9.5	46,023.0	9.8	54,642.2	8.9	54,711.8	7.5	47,656.5	7.4
United States . .	61,878.6	12.3	57,492.2	12.3	73,213.4	11.9	81,784.7	11.2	71,272.0	11.1
Saudi Arabia . . .	21,840.6	4.3	15,979.6	3.4	24,271.3	3.9	41,640.3	5.7	32,762.5	5.1
Qatar	13,036.6	2.6	7,562.1	1.6	11,611.1	1.9	16,567.2	2.3	14,998.9	2.3
Australia	20,608.2	4.1	18,707.1	4.0	32,918.0	5.4	44,929.4	6.1	32,823.0	5.1
Germany	19,936.9	4.0	20,680.9	4.4	21,996.3	3.6	23,614.9	3.2	23,611.2	3.7
Kuwait	10,771.1	2.1	5,827.9	1.2	8,253.9	1.3	12,401.9	1.7	9,659.0	1.5
Taiwan	15,717.7	3.1	17,837.0	3.8	23,485.8	3.8	28,274.6	3.9	24,370.6	3.8
United Arab Emirates	8,991.1	1.8	5,692.7	1.2	7,318.7	1.2	15,492.8	2.1	16,422.8	2.6
Indonesia	8,819.8	1.8	7,594.7	1.6	10,725.1	1.7	15,734.9	2.2	12,145.9	1.9
Malaysia	9,279.9	1.8	8,892.6	1.9	10,456.2	1.7	15,249.1	2.1	15,237.1	2.4
Others ⁽²⁾	157,652.8	31.3	146,458.4	31.3	197,573.3	32.1	226,391.8	31.0	198,755.3	30.9
Total	503,342.9	100.0	467,632.8	100.0	615,093.4	100.0	731,369.7	100.0	642,572.1	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 and Japanese Yen has fluctuated widely, in particular due to the impact of the COVID-19 pandemic, the invasion of Ukraine by Russia and the ensuing sanctions against Russia, the escalation of hostilities in the Middle East following the Israel-Hamas war and the widening difference in policy rates between the United States and the Republic, among others. See “— *The Economy — Worldwide Economic and Financial Difficulties.*” An appreciation of the Won against the U.S. dollar and Japanese Yen 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 and Japanese Yen terms, respectively. 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 and Japanese Yen-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, Türkiye 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 and Indonesia since January 2023. 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 Türkiye 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\$20.1 billion in 2019 and US\$4.7 billion in 2020, and non-commodities trade surpluses of US\$9.5 billion in 2021 and US\$10.2 billion in 2022. Based on preliminary data, the Republic had a non-commodities trade surplus of US\$1.4 billion in 2023.

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				
	2019	2020	2021	2022	2023
	<i>(in millions of U.S. dollars)</i>				
Gold	\$ 4,794.8	\$ 4,794.8	\$ 4,794.8	\$ 4,794.8	4,794.8
Foreign Exchange ⁽¹⁾	397,876.1	430,117.2	438,319.2	399,043.1	395,643.3
Total Gold and Foreign Exchange	402,670.9	434,912.0	443,114.0	403,837.9	400,438.1
Reserve Position at IMF	2,792.9	4,815.3	4,634.9	4,489.5	4,627.8
Special Drawing Rights	3,352.4	3,370.8	15,369.5	14,836.3	15,082.1
Total Official Reserves	\$408,816.1	\$443,098.1	\$463,118.4	\$423,163.7	420,147.9

(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\$408.8 billion as of 31 December 2019, 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 and US\$420.1 billion as of 31 December 2023, 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\$412.8 billion as of 31 May 2024.

Government Finance

The Ministry of Economy and Finance prepares the Government budget and administers the Government's finances.

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 90 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.

2022 budgeted revenues increased by 14.8% to ₩517.7 trillion from ₩450.9 trillion in 2021, led by an increase in budgeted tax revenues (including taxes on income, profits and capital gains as well as taxes on goods and services). 2022 budgeted expenditures and net lending increased by 8.6% to ₩571.8 trillion from ₩526.3 trillion in 2021, led by increases in budgeted expenditures on recovery from the COVID-19 pandemic (including support for small businesses) and revitalisation of the economy. The 2022 budget anticipated a ₩54.1 trillion budget deficit.

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.

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, have been some of the largest of their kind drawn up in response to an outbreak of an infectious disease in Korea. The supplementary budgets have been 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 2024, 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		
	2019	2020	2021	2022	2023 ⁽¹⁾	2022	2023	2024 ⁽¹⁾
	<i>(billions of Won)</i>							
Total Revenues	443,853	446,628	537,619	588,332	543,586	517,701	588,577	573,261
Current Revenues	441,148	443,694	534,999	585,325	539,887	514,696	584,672	569,507
Total Tax Revenues	363,005	360,129	422,182	479,384	432,989	424,050	486,573	459,643
Taxes on income, profits and capital gains	155,736	148,622	184,509	232,319	196,253	180,740	236,860	203,425
Social security contributions	69,550	74,583	78,104	83,444	88,918	80,666	86,116	92,329
Tax on property	15,474	22,735	31,392	27,696	25,311	28,047	27,815	24,149
Taxes on goods and services	98,614	91,047	99,840	105,828	97,008	106,738	107,760	110,503
Taxes on international trade and transaction	7,882	7,059	8,227	10,324	7,288	8,735	10,724	8,907
Other tax	15,748	16,084	20,110	19,773	18,211	19,124	17,299	20,330
Non-Tax Revenues	78,143	83,565	112,818	105,941	106,898	90,646	98,099	109,864
Operating surpluses of departmental enterprise sales and property income	29,345	33,571	56,664	47,459	42,537	34,628	36,492	41,432
Administration fees & charges and non-industrial sales	10,181	9,929	10,865	11,434	12,428	11,402	12,470	13,357
Fines and forfeits	22,554	23,583	26,993	28,276	29,752	25,501	27,816	30,829
Contributions to government employee pension fund	13,523	13,876	14,918	16,348	18,149	16,633	18,480	20,322
Current revenue of non-financial public enterprises	2,540	2,606	3,378	2,425	4,032	2,483	2,842	3,925
Capital Revenues	2,705	2,934	2,620	3,007	3,700	3,006	3,905	3,754
Total Expenditures and Net Lending	455,850	517,781	568,113	652,902	580,354	571,814	601,629	617,664
Total Expenditures	436,698	489,966	538,034	622,997	559,707	546,446	584,587	593,643
Current Expenditures	387,100	455,098	502,191	585,593	523,270	506,262	545,493	553,669
Expenditure on goods and service	60,196	79,460	88,144	89,759	90,389	94,814	94,966	98,053
Interest payment	13,837	14,452	15,431	18,481	22,362	17,928	21,726	24,968
Subsidies and other current transfers	309,575	357,295	395,826	473,661	405,733	389,599	424,353	425,078
Current expenditure of non-financial public enterprises	3,492	3,891	2,790	3,692	4,785	3,922	4,449	5,570
Capital Expenditures	49,598	34,868	35,842	37,404	36,437	40,184	39,094	39,974
Net Lending	19,152	27,815	30,079	29,905	20,647	25,369	17,042	24,021

(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 2019, the Republic recorded total revenues of ₩443.9 trillion and total expenditures and net lending of ₩455.9 trillion. The Republic had a fiscal deficit of ₩12.0 trillion in 2019.

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.

Based on preliminary data, 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.

Debt

The Government estimates that the total outstanding debt of the Government (including guarantees by the Government) as of 31 December 2022 amounted to approximately ₩1,044.0 trillion, an increase of 9.9% over the previous year.

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 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 2023:

Direct External Debt of the Government

	Amount in Original Currency	Equivalent Amount in U.S. dollars⁽¹⁾
	<i>(millions)</i>	
US\$	US\$6,025.0	US\$6,025.0
Euro (EUR)	EUR2,150.0	US\$2,378.8
Total		<u>US\$8,403.8</u>

(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 29 December 2023.

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

	<i>(billions of Won)</i>
2019	690,524.1
2020	808,941.0
2021	927,865.2
2022	1,021,574.4
2023	1,080,844.4

The following table sets out all guarantees by the Government of indebtedness of others:

Guarantees by the Government

	31 December				
	2019	2020	2021	2022	2023
	<i>(billions of Won)</i>				
Domestic	14,760.0	12,490.0	10,930.0	10,620.0	10,460.0
External ⁽¹⁾	—	—	—	—	—
Total	<u>14,760.0</u>	<u>12,490.0</u>	<u>10,930.0</u>	<u>10,620.0</u>	<u>10,460.0</u>

(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				
	2019	2020	2021	2022	2023 ⁽¹⁾
	<i>(billions of U.S. dollars)</i>				
Long-term Liabilities	335.3	390.6	465.6	498.8	527.4
General Government	91.2	119.4	144.4	156.1	170.8
Monetary Authorities	14.4	15.0	35.9	25.1	22.5
Banks	104.4	112.2	128.1	146.5	147.6
Other Sectors	125.2	144.0	157.2	171.1	186.5
Short-term Liabilities	135.5	160.1	165.1	166.5	136.2
General Government	1.6	2.1	1.6	1.2	1.6
Monetary Authorities	10.9	10.8	9.7	4.7	3.9
Banks	102.0	122.0	124.3	129.2	101.9
Other Sectors	21.0	25.2	29.6	31.3	28.8
Total External Liabilities	470.7	550.6	630.7	665.2	663.6

(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. As of 8 September 2023, such commitments assumed by the Government amounted to ₩0.2 trillion.

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 2023
2005-001	2 November 2005	3 November 2025	5.625	US\$	400,000,000	400,000,000
2014-001	10 June 2014	10 June 2044	4.125	US\$	1,000,000,000	1,000,000,000
2014-002	10 June 2014	10 June 2024	2.125	EUR	750,000,000	750,000,000
2017-001	19 January 2017	19 January 2027	2.750	US\$	1,000,000,000	1,000,000,000
2018-001	20 September 2018	20 September 2028	3.500	US\$	500,000,000	500,000,000
2018-002	20 September 2018	20 September 2048	3.875	US\$	500,000,000	500,000,000
2019-001	19 June 2019	19 June 2029	2.500	US\$	1,000,000,000	1,000,000,000
2019-002	19 June 2019	19 June 2024	2.000	US\$	500,000,000	500,000,000
2020-001	16 September 2020	16 September 2030	1.000	US\$	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	US\$	500,000,000	500,000,000
Total External Bonds in Original Currencies						US\$6,025,000,000
						EUR2,150,000,000
Total External Bonds in Equivalent Amount of Won⁽¹⁾						₩10,835,803,500,000

- (1) U.S. dollar amounts are converted to Won amounts at the rate of US\$1.00 to ₩1,289.4, the Market Average Exchange Rate in effect on 29 December 2023, as announced by Seoul Money Brokerage Services, Ltd. Euro amounts are converted to Won amounts at the rate of EUR1.00 to ₩1,426.6, the Market Average Exchange Rate in effect on 29 December 2023, 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

<u>Title</u>	<u>Range of Interest Rates</u>	<u>Range of Years of Issue</u>	<u>Range of Years of Original Maturity</u>	<u>Principal Amounts Outstanding as of 31 December 2023</u>
	(%)			(billions of Won)
1. Bonds				
Interest-Bearing Treasury Bond for Treasury Bond Management Fund	0.750-5.750	2006-2023	2024-2072	998,003.4
Interest-Bearing Treasury Bond for National Housing I	1.00-2.00	2019-2023	2024-2029	81,624.2
Interest-Bearing Treasury Bond for National Housing II	0.0-3.0	2014-2020	2024-2030	2.4
Interest-Bearing Treasury Bond for National Housing III	—	—	—	0
Non-interest-Bearing Treasury Bond for Contribution to International Organisations ⁽¹⁾	0	1968-1985	—	9.4
Total Bonds				<u>1,079,639.4</u>
2. Borrowings				
Borrowings from The Bank of Korea	—	—	—	0
Borrowings from the Sports Promotion Fund	1.870-3.665	2022-2023	2024-2025	960.0
Borrowings from The Korea Foundation Fund	—	—	—	0
Borrowings from the Labour Welfare Promotion Fund	3.665-3.975	2023	2024	50.0
Borrowings from Korea Technology Finance Corporation	3.135-3.585	2022	2024	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				<u>1,205.0</u>
Total Internal Funded Debt				<u>1,080,844.4</u>

- (1) Interest Rates and Years of Original Maturity not applicable.

D. Internal Guaranteed Debt of the Government

<u>Title</u>	<u>Range of Interest Rates</u>	<u>Range of Years of Issue</u>	<u>Range of Years of Original Maturity</u>	<u>Principal Amounts Outstanding as of 31 December 2023</u>
	(%)			(billions of Won)
1. Bonds of Government-Affiliated Corporations				
Korea Deposit Insurance Corporation	—	—	—	0
Korea Student Aid Foundation	1.07-5.48	2011-2023	2024-2043	9,980.0
Key Industry Stabilisation Fund	1.08-2.19	2020-2021	2024-2025	480.0
Total Internal Guaranteed Debt				<u>10,460.0</u>

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. As of 8 September 2023, such commitments assumed by the Government amounted to ₩0.2 trillion.

TAXATION

Korean Taxation

The information provided below does not purport to be a complete summary of Korean tax law and practise currently applicable. Prospective investors who are in any doubt as to their tax position should consult with their own professional advisors.

The taxation of non-resident individuals and non-resident corporations (“**Non-Residents**”) depends on whether they have a “permanent establishment” (as defined under Korean law and applicable tax treaty) in Korea to which the relevant Korean source income is attributable or with which such income is effectively connected. Non-Residents without a permanent establishment in Korea are taxed in the manner described below. Non-Residents with permanent establishments in Korea are taxed in accordance with different rules.

Tax on Interest

Interest on the Bonds paid to Non-Residents, being foreign currency denominated bonds issued outside of 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**”).

If the tax exemption under the STTCL referred to above were to cease to be in effect, the rate of income tax or corporation tax applicable to interest on the Bonds, for a Non-Resident without a permanent establishment in Korea, would be 14% of income. In addition, a tax surcharge called a local income tax would be imposed at the rate of 10% of the income or corporation tax (raising the total tax rate to 15.4%).

The tax is withheld by the payer of 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 an applicable tax treaty, convention or agreement between Korea and the country of the beneficial owner of the income. 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 Bonds to other Non-Residents (other than to their permanent establishments in Korea). In addition, capital gains earned by Non-Residents from the transfer of the Bonds taking place outside Korea are currently exempt from taxation by virtue of the STTCL, provided that the issuance of the Bonds is deemed to be an overseas issuance and is denominated in a foreign currency under the STTCL.

If the exclusion or exemption from Korean taxation referred to above were to cease to be in effect, in the absence of an applicable treaty reducing or eliminating tax on capital gains, the applicable rate of tax would be the lower of 11% (including local income tax) of the gross realisation proceeds or (subject to the production of satisfactory evidence of the acquisition cost and certain direct transaction costs of the relevant Bond) 22% (including local income tax) of the realised gain (i.e., the excess of the gross realisation proceeds over the acquisition cost and certain direct transaction costs) made. If such evidence shows that no gain (or a loss) was made on the sale, no Korean tax is payable. There is no provision under relevant Korean tax law to allow offsetting of gains and losses or otherwise aggregating transactions for the purpose of computing the net gain attributable to sales of Bonds issued by Korean companies.

The purchaser or any other designated withholding agent of 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 tax under an applicable tax treaty and on the failure of the seller to produce satisfactory evidence of his acquisition cost and certain direct transaction costs in relation to the Bonds being sold, the purchaser or such withholding agent must withhold an amount equal to 11% (including local income tax) of the gross realisation proceeds. The purchaser or withholding agent must pay any withholding tax to the competent Korean tax office no later than the tenth day of the month following the month in which the payment for the purchase of the relevant Bonds occurred. Failure to transmit the withheld tax to the Korean tax authorities in time subjects the purchaser or such withholding agent to penalties under Korean tax laws. The Korean tax authorities may attempt to collect such tax from a Non-Resident who is liable for payment of any Korean tax on gains, as a purchaser or withholding agent who is obliged to withhold such tax, through proceedings against payments due to the Non-Resident from its Korean investments and 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 domiciled in Korea or resided in Korea for at least 183 days immediately prior to his death and (b) all property located in Korea that passes on death (irrespective of the domicile or 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 the rate varies from 10% to 50%. At present, Korea has not entered into any tax treaties regarding its inheritance or gift taxes.

Under Korean inheritance and gift tax laws, bonds issued by Korean corporations are deemed located in Korea irrespective of where they are physically located or by whom they are owned, and, consequently, the Korean inheritance and gift taxes will be imposed on transfers of the Bonds by inheritance or gift. Prospective purchasers should consult their personal tax advisors regarding the consequences of the imposition of the Korean inheritance or gift tax.

At present, Korea has not entered into any tax treaties regarding its inheritance or gift taxes.

Stamp Duty and Securities Transaction Tax

No stamp, issue or registration duties will be payable in Korea by the holders of the Bonds in connection with the issue of the Bonds except for a nominal amount of stamp duty on certain documents executed in Korea which will be paid by the Issuer. A securities transaction tax will not be imposed on the transfer of the Bonds.

Tax Treaties

At the date of this Offering Circular, Korea has tax treaties with, *inter alia*, Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, The Netherlands, New Zealand, Norway, Singapore, Sweden, Switzerland, the United Kingdom, the United States of America and etc., 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.

In order to claim the benefit of a tax rate reduction or tax exemption available under the applicable tax treaties, a Non-Resident holder should submit to the payer of such Korean source 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 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 Won 1 billion 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 Won 1 billion 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 audit reports for the most recent three years submitted to the country of residence (or, if the entity has been in existence for less than three years, audit reports 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 not the beneficial owner of such income) (“**OIV**”), 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 (and the BO Applications collected from each beneficial owner, if such beneficial owner is applying for tax exemption) to the withholding agent prior to the payment date of such income. In the case of a tax exemption application, the withholding agent is required to submit such application (together with the applicable OIV report and the schedule of beneficial owners 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 or Individual Income Tax Law. However, this requirement does not apply to exemptions under Korean tax law.

ROC Taxation

The following summary of certain taxation provisions under ROC law is based on current law and practise and that the Bonds will be issued, offered, sold and re-sold directly or indirectly, only to professional investors as defined under Paragraph 1 of Article 2-1 of the TPEX Rules of the ROC. It does not purport to be comprehensive and does not constitute legal or tax advice. Investors (particularly those subject to special tax rules, such as banks, dealers, insurance companies and tax-exempt entities) should consult with their own tax advisers regarding the tax consequences of an investment in the Bonds. Investors should appreciate that, as a result of changing law or practise, the tax consequences may be otherwise than as stated below.

Interest on the Bonds

As the Issuer of the Bonds is not an ROC statutory tax withholder, there is no ROC withholding tax on the interest or deemed interest to be paid by the Issuer on the Bonds.

Payments of any interest or deemed interest under the Bonds to an ROC individual holder are not subject to ROC income tax as such payments received by him/her are not considered to be ROC sourced income. However, such holder must include the interest or deemed interest in calculating his/her basic income for the purpose of calculating his/her alternative minimum tax (“**AMT**”), unless the sum of the interest or deemed interest and other non-ROC sourced income received by such holder and the person(s) who is (are) required to jointly file the tax return in a calendar year is below 1 million New Taiwan Dollars (“**NT\$**”). If the amount of the AMT calculated pursuant to the ROC Income Basic Tax Act (also known as the AMT Act) exceeds the annual income tax calculated pursuant to the ROC Income Tax Act, the excess becomes such holder’s AMT payable.

ROC corporate holders must include any interest or deemed interest receivable under the Bonds as part of their taxable income and pay income tax at a flat rate of 20%. (unless the total taxable income for a fiscal year is NT\$120,000 or under), as they are subject to income tax on their worldwide income on an accrual basis. The AMT is not applicable.

Sale of the Bonds

In general, the sale of corporate bonds or financial bonds is subject to 0.1% securities transaction tax (“**STT**”) on the transaction price. However, Article 2-1 of the Securities Transaction Tax Act prescribes that STT will cease to be levied on the sale of corporate bonds and financial bonds from 1 January 2010 to 31 December 2026. Therefore, the sale of the Bonds will be exempt from STT if the sale is conducted on or before 31 December 2026. Starting from 1 January 2027, any sale of the Bonds will be subject to STT at 0.1% of the transaction price, unless otherwise provided by the tax laws that may be in force at that time.

Capital gains generated from the sale of bonds are exempt from ROC income tax. Accordingly, ROC individual or corporate holders are not subject to ROC income tax on any capital gains generated from the sale of the Bonds. In addition, ROC individual holders are not subject to AMT on any capital gains generated from the sale of the Bonds. However, ROC corporate holders should include the capital gains in calculating their basic income for the purpose of calculating their AMT. If the amount of the AMT calculated pursuant to the ROC Income Basic Tax Act exceeds the annual income tax calculated pursuant to the ROC Income Tax Act, the excess becomes the ROC corporate holders’ AMT payable. Capital losses, if any, incurred by such holders could be carried over 5 years to offset against capital gains of same category of income for the purposes of calculating their AMT.

Non-ROC corporate holders with a fixed place of business (e.g., a branch) or a business agent in the ROC are not subject to ROC income tax on any capital gains generated from the sale of the Bonds. However, their fixed place of business or business agent should include any such capital gains in calculating their basic income for the purpose of calculating AMT.

As to non-ROC corporate holders without a fixed place of business and a business agent in the ROC, they are not subject to ROC income tax or AMT on any capital gains generated from the sale of the Bonds.

SUBSCRIPTION AND SALE

BNP Paribas SA, Taipei Branch (the “**Bookrunner and Manager**”) has, pursuant to a Subscription Agreement (the “**Subscription Agreement**”) dated 14 October 2024 among BNP Paribas SA, Taipei Branch, Cathay United Bank Co., Ltd., CTBC Bank Co., Ltd., KGI Securities Co. Ltd., Mega International Commercial Bank Co., Ltd., President Securities Corporation, SinoPac Securities Corporation and Yuanta Securities Co., Ltd. (together, the “**Managers**”), the Issuer and the Guarantor, agreed to subscribe and pay for, or to procure subscriptions and payment for, the principal amount of the Bonds subject to certain conditions contained therein.

The Issuer will also reimburse the Managers in respect of certain of their expenses, and the Issuer and the Guarantor have agreed to indemnify the Managers against certain liabilities (including liabilities under the Securities Act), incurred in connection with the issue and sale of the Bonds. The Subscription Agreement may be terminated in certain circumstances prior to payment of the issue price to the Issuer.

The initial issue price is set forth on the cover of this Offering Circular. After the Bonds are released for sale, the Bookrunner and Manager may change the issue price and other selling terms. The offering of the Bonds by the Bookrunner and Manager is subject to receipt and acceptance and subject to the Bookrunner and Manager’s right to reject any order in whole or in part.

The Managers and certain of their affiliates have, from time to time, performed, and may in the future perform, certain investment banking, commercial banking and advisory services for the Issuer, the Guarantor and/or their respective affiliates for which they have received or will receive customary fees and expenses.

The Managers and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. In the ordinary course of their various business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and instruments of the Issuer and the Guarantor.

The Bookrunner and Manager or its affiliates may subscribe the Bonds for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/ or other securities of the Issuer, the Guarantor or their respective subsidiaries or associates at the same time as the offer and sale of the 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 the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be subscribers of the Bonds).

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct—Important Notice to CMIIs (including private banks): This notice to CMIIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIIs, which require the attention and cooperation of other CMIIs (including private banks). Certain CMIIs may also be acting as OCs for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the Guarantor, the CMI or the relevant group company. CMIIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer, the Guarantor or any CMI (including its group companies) and inform the Bookrunner and Manager accordingly.

CMIIs are informed that the marketing and investor targeting strategy for this 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 set out elsewhere in this offering circular.

CMIIs 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 CMIIs). CMIIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIIs should disclose the identities of all investors when submitting orders for the 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 or the Guarantor. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the 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, the Bookrunner and Manager should consider disclosing order book updates to all CMIs.

When placing an order for the 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 Bookrunner and Manager 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); and
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: dl.asia.syndicate@asia.bnpparibas.com.

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, the Guarantor, 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 this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Bookrunner and Manager 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 Bookrunner and Manager with such evidence within the timeline requested.

Selling Restrictions

The Managers have agreed that it will (to the best of their 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 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 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 neither the Issuer nor the Managers shall have any responsibility therefor.

If a jurisdiction requires that any offering of the Bonds be made by a licenced broker or dealer and the Managers or any affiliate of the Managers is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by such dealer or such affiliate on behalf of the Issuer in such jurisdiction.

United States

The Bonds and the Guarantee 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.

The Managers have agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Bonds and the Guarantee (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date, 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 the Bonds and the Guarantee during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds and the Guarantee 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.

The Bonds and the Guarantee are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds and the Guarantee, an offer or sale of the Bonds and the Guarantee within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

The Managers have represented and agreed that:

- (a) they have 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 Financial Services and Markets Act 2000 (the “FSMA”)) received by them in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) they have complied and will comply with all applicable provisions of the FSMA with respect to anything done by them in relation to the Bonds in, from or otherwise involving the United Kingdom.

Hong Kong

The Managers have represented and agreed that:

- (a) they have not offered or sold, and will not offer or sell, in Hong Kong, by means of any document, any Bonds other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO; or (b) 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) they have not issued or had in their possession for the purposes of issue, and will not issue or have in their possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the 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 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.

Japan

The 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, the Managers have represented and agreed that they have not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any 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 re-sale, 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 any other applicable laws, regulations and ministerial guidelines of Japan.

Taiwan

The Bonds have not been, and shall not be, offered, sold or re-sold, directly or indirectly to investors other than “professional investors” as defined under Paragraph 1 of Article 2-1 of the TPEX Rules. Purchasers of the Bonds are not permitted to sell or otherwise dispose of the Bonds except by transfer to the aforementioned professional investor.

Singapore

The Managers have acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Managers have represented, warranted and agreed that they have not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will they 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 Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (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.

Republic of Italy

The offering of the Bonds has not been registered with the *Commissione Nazionale per le Società e la Borsa* (“CONSOB”) pursuant to Italian securities legislation and, accordingly, no Bonds may be offered, sold or delivered, nor may copies of this Offering Circular or of any other document relating to any Bonds be distributed in Italy, except, in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver any Bonds or distribute any copy of this Offering Circular or any other document relating to the 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 Bonds or distribution of copies of this Offering Circular or any other document relating to the 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 Bonds described herein. The 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 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 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 Bonds have been or will be filed with or approved by any Swiss regulatory authority. The Bonds are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory Authority (“**FINMA**”), and investors in the Bonds will not benefit from protection or supervision by such authority.

Korea

The Bonds have not been and will not be registered with the FSC under the FSCMA. Accordingly, the Bonds have not been and will not be offered, sold or delivered, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as defined in the Foreign Exchange Transactions Act of Korea and the regulations thereunder) or to others for re-offering or resale, except as otherwise permitted by applicable Korean laws and regulations. In addition, within one year following the issuance of the Bonds, the Bonds may not be transferred to any resident of Korea other than a Korean QIB (as defined in the Regulation on Issuance, Public Disclosure, etc. of Securities of Korea, hereinafter, “**Korean QIB**”) registered with the KOFIA for Korean QIB bond trading, provided that the amount of the Bonds acquired by such Korean QIBs in the primary market is limited to less than 20% of the aggregate issue amount of the Bonds.

Transfer Restrictions

Because of the following restrictions, purchasers are advised to consult with legal counsel prior to making any offer, resale, pledge or other transfers of the Bonds.

Transfer to only Professional Investors

The Bonds have not been, and shall not be, offered, sold or re-sold, directly or indirectly, to investors other than “professional investors” as defined under Paragraph 1 of Article 2-1 of the TPEX Rules as amended from time to time. Purchasers of the Bonds are not permitted to sell or otherwise dispose of the Bonds except by transfer to the aforementioned professional investors.

Transfer Restrictions under Korean Law

Each purchaser of the Bonds, by accepting delivery of this Offering Circular, will be deemed to have acknowledged and represented and agreed as follows:

- (a) The Bonds have not been and will not be registered with the FSC under the FSCMA. Accordingly, the Bonds have not been and will not be offered, sold or delivered, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of Korea (as defined in the Foreign Exchange Transactions Law of Korea and the regulations thereunder) or to others for re-offering or resale, except as otherwise permitted by applicable Korean laws and regulations. In addition, within one year following the issuance of the Bonds, the Bonds may not be transferred to any resident of Korea other than a Korean QIB registered with the KOFIA for Korean QIB bond trading, provided that the amount of the Bonds acquired by such Korean QIBs in the primary market is limited to less than 20% of the aggregate issue amount of the Bonds.
- (b) The Bonds will bear legends to the effect described in paragraph (a) above.

Other Transfer Restrictions Applicable to the Bonds

The Bonds and the Guarantee have not been and will not be registered under the Securities Act. The Securities and the Guarantee may not be offered or sold to any person in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Except in certain limited circumstances, interests in the Bonds may only be held through interests in the Global Certificates. Such interests in the Global Certificates will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear, Clearstream and their respective direct and indirect participants. See “*Terms and Conditions of the Bonds.*”

Each purchaser of the Bonds, by accepting delivery of this Offering Circular, will be deemed to have acknowledged and represented and agreed as follows:

- (a) The Bonds and the Guarantee have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States or any other jurisdiction and are subject to significant restrictions on transfer.
- (b) Until forty (40) days after the commencement of offering of the Bonds, an offer or sale of the Bonds and the Guarantee within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.
- (c) Such purchaser will not offer, sell, pledge or otherwise transfer any interest in the Bonds or the Guarantee except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.
- (d) The Bonds will bear legends to the following effect, unless the Issuer determines otherwise in compliance with applicable law, and such purchaser will observe the restrictions contained therein:

THE BONDS EVIDENCED HEREBY (THE “BONDS”) OF KODIT GLOBAL 2024-2 CO., LTD. (THE “ISSUER”) HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”).

PRIOR TO THE EXPIRATION OF 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE BONDS AND THE LATEST CLOSING DATE (THE “DISTRIBUTION COMPLIANCE PERIOD”), THE BONDS MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO ANY U.S. PERSON OUTSIDE THE UNITED STATES OR ANY PERSON IN THE UNITED STATES. EACH HOLDER AND BENEFICIAL OWNER, BY ITS ACCEPTANCE OF THE BONDS EVIDENCED HEREBY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING AND FOLLOWING RESTRICTIONS.

THE FOREGOING PARAGRAPH WILL BE NO LONGER EFFECTIVE AFTER THE END OF THE DISTRIBUTION COMPLIANCE PERIOD WITH RESPECT TO THE BONDS, AFTER WHICH THE BONDS EVIDENCED HEREBY WILL NO LONGER BE SUBJECT TO THE RESTRICTIONS SET FORTH THEREIN, PROVIDED THAT AT SUCH TIME AND THEREAFTER THE OFFER OR SALE OF THE BONDS EVIDENCED HEREBY WOULD NOT BE RESTRICTED UNDER ANY APPLICABLE SECURITIES LAWS OF THE UNITED STATES OR OF THE STATES OR TERRITORIES OF THE UNITED STATES.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE FINANCIAL INVESTMENT SERVICES AND CAPITAL MARKETS ACT OF KOREA (THE “FSCMA”). ACCORDINGLY, THE BONDS MAY NOT BE OFFERED, SOLD OR DELIVERED, DIRECTLY OR INDIRECTLY, IN KOREA OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY RESIDENT OF KOREA (AS SUCH TERM IS DEFINED IN THE FOREIGN EXCHANGE TRANSACTIONS LAW OF KOREA AND THE REGULATIONS THEREUNDER), FOR A PERIOD OF ONE YEAR FROM THE ISSUANCE OF THE BONDS, EXCEPT (I) WHERE RELEVANT REQUIREMENTS ARE SATISFIED, THE BONDS MAY BE OFFERED, SOLD OR DELIVERED TO OR FOR THE ACCOUNT OR BENEFIT OF A KOREAN RESIDENT THAT FALLS WITHIN CERTAIN CATEGORIES OF PROFESSIONAL INVESTORS AS SPECIFIED IN THE FSCMA, ITS ENFORCEMENT DECREE AND THE REGULATION ON ISSUANCE, PUBLIC DISCLOSURE, ETC. OF SECURITIES OF KOREA, OR (II) AS OTHERWISE PERMITTED UNDER APPLICABLE KOREAN LAWS AND REGULATIONS.

LEGAL MATTERS

Certain legal matters relating to the issue and sale of the Bonds will be passed upon for the Issuer and the Guarantor by Kim & Chang as to matters of Korean law and Lee and Li, Attorneys-at-Law as to matters of Taiwanese law and for the Managers by Linklaters LLP as matters of English law. Kim & Chang and Lee and Li, Attorneys-at-Law may rely as to all matters of English law on the opinion of Linklaters LLP and Linklaters LLP may rely as to all matters of Korean law on the opinion of Kim & Chang and Taiwanese law on the opinion of Lee and Li, Attorneys-at-Law.

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Independent Auditor's Report

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors of Korea Credit Guarantee Fund

Opinion

We have audited the financial statement of Korea Credit Guarantee Fund (hereafter the "Fund"), which comprise the accompanying statement of financial position as of 31 December 2023, and the statement of comprehensive income, statement of changes in net asset for the year then ended, and notes to the financial statement, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of 31 December 2023, and its financial performance and change in its net asset for the year then ended in accordance with the Korean National Accounting Standards.

Basis of Opinion

We conducted our audit in accordance with the Korean Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the ethical requirements of Republic of Korea that are relevant to our audit of the financial statements, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Other matter

The comparative financial statement of the Fund for the reporting period ending December 31, 2022 were audited by another auditor, and this auditor's audit report dated February 10, 2023 expressed an unqualified opinion on the financial statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Korean National Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for the assessment of the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concerns. Additionally, management is responsible for the usage of the going concern basis of accounting, unless management either intends to liquidate the Fund or to cease operations.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they are reasonably expected to

influence the economic decision makings of users taken on the basis of these financial statements.

As part of an audit in accordance with the Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the entire audit process. Additionally, we:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Additionally, we, 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 that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal controls.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate to circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used for the preparation of the financial statements and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's usage 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 Fund'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 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 Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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, etc., that we have identified during the audit.

Hanul LLC

a member of Crowe Global

14 Teheran-ro 88-gil, Gangnam-gu, Seoul

Republic of Korea

CEO Sung-sub Shin



8 February 2024

This report is effective as of the date of this audit report. Therefore, subsequent events or circumstances may occur between the audit report date and the view date of report users that may have a material impact on the accompanying financial statements of the Fund and, if necessary, may possibly lead to the revision of the above audit report.

Korea Credit Guarantee Fund
Statement of Financial Position

As of December 31, 2023 and 2022

Items	As of December 31,		(Unit: Korean Won)
	2023	2022	
Assets			
I. Current assets			
1. Cash and cash equivalents (Note 3)		12,185,559,379,688	9,837,818,146,831
2. Short-term deposits (Note 3)		111,976,735,663	109,848,448,222
3. Short-term investment securities (Note 4)		3,349,500,000,000	3,499,800,000,000
4. Accounts receivables (Note 6)	217,911,465,405	7,794,166,716,877	5,270,963,773,912
Allowance for doubtful accounts, accounts receivables	-	217,911,465,405	88,326,331,273
5. Short-term loans (Note 7)	362,687,920		250,423,019,961
Allowance for doubtful accounts, short-term loans	(2,752,298)	359,935,622	(3,759,362)
6. Other current assets (Note 8)		711,644,526,121	618,460,332,825
II. Investments		2,425,634,842,683	3,913,111,350,565
1. Long-term deposits (Note 3)		1,185,500,000,000	2,608,000,000,000
2. Long-term investment securities (Note 5)		1,230,220,308,735	1,296,426,332,811
3. Long-term loans (Note 7)	4,620,036,639		4,521,045,809
Allowance for doubtful accounts, long-term loans	(224,858,298)	4,395,178,341	(182,961,388)
4. Other investments (Note 9)		5,519,355,607	4,338,084,421
III. General property, plant and equipment (Note 10, 20)		545,684,699,486	548,434,274,080
1. Land		355,360,238,314	352,185,305,788
2. Buildings	257,220,740,750		255,646,021,766
Accumulated depreciation, buildings	(82,148,217,550)	175,072,523,200	(74,469,963,776)
3. Structures	1,631,791,230		1,631,791,230
Accumulated depreciation, structures	(857,361,433)	774,429,797	(791,897,821)
4. Machinery	41,258,142,082		39,750,279,994
Accumulated depreciation, machinery	(37,096,098,034)	4,162,044,048	(34,565,793,365)
5. Furniture and fixtures, office equipment, vehicles	52,118,234,921		49,866,091,292
Accumulated depreciation, furniture and fixtures, office equipment, vehicles	(44,647,658,457)	7,470,576,464	(43,849,846,755)
6. Other general property, plant and equipment	21,733,844,080		20,425,979,801
Accumulated depreciation, other general property, plant and equipment	(18,888,956,417)	2,844,887,663	(17,393,694,074)
			3,032,285,727

Korea Credit Guarantee Fund
Statement of Financial Position

As of December 31, 2023 and 2022

Items	As of December 31,		(Unit: Korean Won)
	2023	2022	
IV. Intangible assets (Note 11)		7,034,147,178	14,584,225,445
1. Industrial property rights		14,886,402	19,103,856
2. Software		7,019,260,776	14,565,121,589
V. Other non-current assets		111,165,279,695	109,556,935,196
1. Long-term accounts receivables (Note 6)		14,954,227,076	32,180,406,215
2. Other other non-current assets (Note 12)		96,211,052,619	77,376,528,981
Total Assets		15,275,078,348,730	14,423,504,932,117
Liabilities			
I. Current liabilities		619,184,783,787	680,198,634,153
1. Other current liabilities (Note 13)		619,184,783,787	680,198,634,153
II. Long-term provisions (Note 14)		2,850,544,018,117	3,041,313,399,402
1. Allowance for severance and retirement benefits	269,946,832,017		260,069,825,804
Deposit on allowance for severance and retirement benefits	(152,544,134,415)	117,402,697,602	(137,498,909,877)
2. Other long-term provisions		2,733,141,320,515	2,918,742,483,475
III. Other long-term provisions		66,555,512,142	138,266,122,035
1. Other other long-term provisions (Note 13)		66,555,512,142	138,266,122,035
Total liabilities		3,536,284,314,046	3,859,778,155,590
Net assets			
I. General net assets (Note 22)		16,472,649,906,634	16,472,649,906,634
II. Reserves and surplus (Note 22)		(5,280,516,155,546)	(6,035,342,251,605)
III. Net asset adjustment (Note 23)		546,660,283,596	126,419,121,498
Total net assets		11,738,794,034,684	10,563,726,776,527
Total liabilities and net assets		15,275,078,348,730	14,423,504,932,117

"The accompanying notes are an integral part of these financial statements."

Korea Credit Guarantee Fund
Statement of Financial Operations

For the years ended December 31, 2023 and 2022

(Unit: Korean Won)

Items	2023			2022		
	Total costs	Revenues	Net costs	Total costs	Revenues	Net costs
I. Net program costs (Note 15, 16)	2,150,407,566,891	(1,274,379,677,880)	876,027,889,011	1,399,153,035,517	(1,150,281,675,951)	248,871,359,566
1. Program	2,150,407,566,891	(1,274,379,677,880)	876,027,889,011	1,399,153,035,517	(1,150,281,675,951)	248,871,359,566
II. Administrative expenses			142,330,222,444			119,156,859,214
1. Staff costs			58,263,976,406			58,001,991,396
2. Operation expenses			84,066,246,038			61,154,867,818
(1) Other employment benefits			8,269,878,649			7,234,409,107
(2) Supplies			973,541,822			1,062,180,784
(3) Printing expenses			221,116,886			202,277,645
(4) Advertising			1,101,350,309			1,269,397,768
(5) Service fees			3,879,530,444			4,460,646,468
(6) Taxes and dues			7,644,876,681			7,874,317,120
(7) Utilities			1,478,040,711			1,194,610,588
(8) Insurance expense			63,780,266			76,358,788
(9) Education & training expenses			2,807,954,686			2,645,984,244
(10) Rent expense			1,750,211,347			1,546,818,193
(11) Fuel expenses			72,564,943			78,111,829
(12) Repair and maintenance costs			1,332,426,693			1,413,384,833
(13) Travel expenses			798,706,421			668,693,709
(14) Business promotion expenses			1,043,069,324			1,063,270,861
(15) Outsourcing expenses			6,535,342,781			6,198,402,568
(16) Contribution expenses			31,240,000,000			7,395,000,000
(17) Depreciation expenses			13,038,587,665			13,204,810,923
(18) R&D expenses			1,815,266,410			3,566,192,390
III. Costs not assigned to programs (Note 17)			30,917,641,631			142,441,121,076
1. Service fees			324,102,576			317,764,218
2. Bad debt expenses			-			83,865,714
3. Interest expenses			11,813,177			10,119,083

Korea Credit Guarantee Fund
Statement of Financial Operations
For the years ended December 31, 2023 and 2022

(Unit: Korean Won)

Items	For the year ended December 31,		
	2023		2022
	Total costs	Revenues	Net costs
4. Loss on disposal of assets			27,823,033,746
5. Other expenses			2,758,692,132
IV. Revenues not assigned to programs (Note 18)			387,751,758,438
1. Income generated in exchange for providing goods and services			2,031,784,756
2. Interest income			276,189,933,041
3. Gain on disposal of assets			108,100,109,523
4. Other revenues			1,429,931,118
V. Net operating costs (I+II+III-IV)			661,523,994,648
VI. Non-exchange Revenues and Others			1,332,650,090,707
1. Levies			1,167,910,398,491
2. Other financing and transfers			164,739,692,216
VII. Net operating result (V - VI)			(671,126,096,059)
	Total costs	Revenues	Net costs
			134,312,465,080
			7,716,906,981
			181,844,958,020
			1,980,779,083
			174,942,713,601
			1,023,968,784
			3,897,496,552
			328,624,381,836
			1,111,557,960,216
			1,048,440,378,432
			63,117,581,784
			(782,933,578,380)

"The accompanying notes are an integral part of these financial statements."

Korea Credit Guarantee Fund
Statement of Changes in Net Assets
For the years ended December 31, 2023 and 2022

(Unit: Korean Won)

Items	General net assets	Reserves and surplus	Net asset adjustments	Total
I. Beginning balance of net assets for fiscal year 2022	16,472,649,906,634	(7,783,275,829,985)	199,847,164,111	8,889,221,240,760
1. Balance at Dec. 31, 2021 as previously reported	16,472,649,906,634	(7,783,275,829,985)	199,847,164,111	8,889,221,240,760
II. Net operating results	-	(782,933,578,380)	-	(782,933,578,380)
III. Adjustments	-	965,000,000,000	(73,428,042,613)	891,571,957,387
1. Gain(loss) on valuation of investment securities (Note 23)	-	-	(99,234,856,556)	(99,234,856,556)
2. Gain(loss) on revaluation of net assets (Note 10, 23)	-	-	25,806,813,943	25,806,813,943
3. Other increase(decrease) in net assets	-	965,000,000,000	-	965,000,000,000
IV. Closing balance of net assets for fiscal year 2022 (I-II+III)	16,472,649,906,634	(6,035,342,251,605)	126,419,121,498	10,563,726,776,527
V. Beginning balance of net assets for fiscal year 2023	16,472,649,906,634	(6,035,342,251,605)	126,419,121,498	10,563,726,776,527
1. Balance at Dec. 31, 2022 as previously reported	16,472,649,906,634	(6,035,342,251,605)	126,419,121,498	10,563,726,776,527
VI. Net operating results	-	(671,126,096,059)	-	(671,126,096,059)
VII. Adjustments	-	83,700,000,000	420,241,162,098	503,941,162,098
1. Gain(loss) on valuation of investment securities (Note 23)	-	-	421,276,190,589	421,276,190,589
2. Gain(loss) on revaluation of assets (Note 10, 23)	-	-	(1,035,028,491)	(1,035,028,491)
3. Other increase(decrease) in net assets	-	83,700,000,000	-	83,700,000,000
VIII. Closing balance of net assets for fiscal year 2023 (V-VI+VII)	16,472,649,906,634	(5,280,516,155,546)	546,660,283,596	11,738,794,034,684

"The accompanying notes are an integral part of these financial statements."

1. GENERAL INFORMATION

The Korean Credit Guarantee Fund (“KODIT” or “the Fund”) was established in June 1976 under the Korea Credit Guarantee Fund Act. It is a comprehensive support organization for small and medium-sized enterprises that has made efforts to develop a balanced national economy by facilitating capital circulation through the issuance of guarantees of debts of companies with weak collateral capabilities and establishing sound credit order through efficient management and operation of credit information.

In order to achieve the purpose of the Korea Credit Guarantee Fund Act, the Fund performs affairs including the management of its fundamental property, credit guarantees, guarantee-linked investments, SME factoring, business administration guide, credit investigations and comprehensive management of credit information, exercise of the right to demand indemnity, investigation and research of the credit guarantee system, and any other related business affairs. As of December 31, 2023, the Fund has 9 business headquarters, inclusive of the headquarter located in Daegu, 109 business branches, 26 indemnity rights management teams, etc. The Fund’s fundamental property were KRW 27,913 million at the time of establishment, and the Fund’s fundamental property (net position) is KRW 11,738,794 million as of December 31, 2023

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The Fund’s financial statements have been prepared in accordance with the Korean National Accounting Standards in accordance with Article 11, Paragraph 1 of the National Accounting Act, which is effective as of the fiscal year 2009.

Significant accounting policies applied for the preparation of the Fund’s financial statements are as follows.

(1) Cash and cash equivalents

Cash and cash equivalents consist of currencies, currency equivalents, deposits, checking accounts and financial instruments that can be easily converted to cash without material transactions costs and with insignificant risk of change in its value due to fluctuations in interest rate with original maturity or redemption period less than 3 months.

(2) Revenue recognition

Exchange revenues refers to income generated in exchange for providing goods and services, while non-exchange revenues refer to income generated without any direct considerations, such as taxes, levies, donations, non-reciprocal transfer revenues, and fines or penalties, etc.

Exchange revenues shall be recognized when the provision of goods or services are completed and the amount of revenue can be reasonably measurable. Non-exchange revenues shall be recognized when a specifically identifiable, enforceable claim to resources arises and the amount can be reasonably measurable. However, when the inflow of economic benefits from profit-generating from profit-generating activities is not likely or when the amount of revenue cannot be reasonably measured, revenue is recognized when cash is received.

Contributions refer to financial assets paid without consideration in accordance with laws and regulations for the purpose of raising financial resources for non-profit organizations that act on behalf of government projects, etc.

If financial resources raised by contributions is used by the Fund mainly to change assets and liabilities and the original source of the financial resources is maintained, it is reflected as change in net assets in the statement of changes in net position. On the other hand, if the Fund uses the financial resources raised by contributions as operating expenses, etc., and the raised financial resources are depleted, it is reflected as non-exchange revenues in the statement of financial operations.

Levies refer to financial obligations other than taxes related to public benefit projects irrespective of the provision of goods or services as prescribed in Article 2 of the Framework Act on the Management of Charges.

Unlike contributions, as levies are obligations to be borne only by those who have direct interest in the business operated by the Fund, it is considered as non-exchange revenues in accordance with Article 28 of the Korean National Accounting Standards and is treated as non-exchange revenues without exceptions. Thus, financial resources raised by financial companies, etc. are considered as levies.

(4) Marketable Securities

The acquisition cost of marketable securities is calculated by adding incidental costs to the purchase price of securities and applying the individual method for each item. Marketable securities are classified as short-term or long-term investment securities based on the application of actual cost method. Short-term investment securities include debt securities, equity securities and other short-term investment securities that are with maturity less than 1 year or is expected to be disposed of within 1 year as of December 31, 2023. Long-term investment securities include debt securities, equity securities and other long-term investment securities with maturity over 1 year or is expected to be disposed of after 1 year as of December 31, 2023.

Debt securities are valued at amortized costs, while equity securities and other short-term and long-term investment securities are valued at acquisition cost. However, in the case of short-term and long-term investment securities acquired for investment purposes, if the fair value can be measured reliably as of the date of statement of financial position, it is valued at its fair value and the difference between the fair value and book value is adjusted in the changes in net position.

If the recoverable value of the marketable security fall below its book value and the probability of recovery is unlikely due to long period of continued decline, the difference between the fair value and book value is recognized as a loss in net operating costs.

(5) Assessment of receivables, etc.

1) Accounts receivables

The Fund establishes allowance for doubtful accounts for the balance of accounts receivables as of the date of statement of financial position for estimated losses from doubtful receivables determined on a reasonable and objective basis.

2) Other current assets

Indemnity rights under other current assets consist of receivables acquired through performance of guarantee obligations, receivables acquired through performance of re-guarantee obligations to local credit guarantee foundations, and advances for expenses incurred for the coverage and exercise of the right to demand indemnity, etc.

The Fund recognizes provisions for doubtful accounts for the balances of indemnity rights as of the dates of statement of financial position by applying the historic average loss experience rate of indemnity rights calculated using the ratio between the accumulated amount of receivables collected and the accumulated amount of receivables occurred for the previous 5-year period.

(6) General Property, Plant and Equipment

The acquisition cost of general property, plant and equipment consist of the asset's construction costs or purchase costs, and other expenses incurred for the acquisition of the asset.

The Fund applies the depreciation method and useful life stated below for the depreciation of general property, plant and equipment other than land, standing timber, government artworks and general PP&E under construction. The balance of property, plant and equipment are measured as historical cost of acquisition less accumulated depreciation.

Items	Useful Life	Depreciation Method
Buildings	40 years	Straight-line depreciation
Structures	40 years	Straight-line depreciation
Machinery	5 years	Declining balance
Furniture and fixtures, office equipment, vehicles	5 years	Declining balance
Other general property, plant and equipment	5 years	Declining balance

Expenses that extend the useful life or substantially increase the value of the general property, plant and equipment are treated as an increase in asset, while expenses incurred for the restoration and performance maintenance are treated as expenses.

(7) Intangible assets

The acquisition cost of intangible assets consist of the asset's construction costs or purchase costs, and other expenses incurred for the acquisition of the asset. The Fund applies the depreciation method and useful life stated below for the depreciation of intangible assets, beginning from the date of usage. The balance of intangible assets are measured and presented by directly deducting the depreciation expense from the asset balance.

Items	Useful Life	Depreciation Method
Industrial property rights	10 years	Straight-line depreciation
Software	5 years	Straight-line depreciation

(8) Impairment of asset, etc.

Unless otherwise stipulated by the Korean National Accounting Standards, of the assets stated in the statement of financial position, if the recoverable value of the asset falls short of its book value due to physical damage or a sharp decrease in its market value, etc. and the amount of shortfall is significant, the amount of shortfall is deducted directly from the book value and adjusted to its recoverable value. The difference between the book value and the recoverable value is reflected in the net cost of financial operations as impairment loss of the corresponding asset.

However, if the recoverable value of the impaired asset is recovered to a balance greater than the book value of the asset prior to the impairment, the recovered balance is reflected in the net cost of financial operations as a reversal of impairment loss of the corresponding asset up to the abovementioned book value.

(9) Revaluation of assets

The Fund revalues its general property, plant and equipment when there is a significant difference between the asset's fair value and carrying value after acquisition, or when the asset is designated by the presiding ministry that manages government-owned assets as an asset in need of periodic revaluations.

For land, buildings, structures, and equipment acquired prior to January 1, 2009, the Fund had performed the initial revaluation of those assets on January 1, 2011, and has been performing period asset revaluations as of the last day of each reporting period for assets in need of revaluation.

The revaluation balance shall be the fair value of the asset as of the revaluation date. However, if the asset's fair value cannot be reasonably calculated, the Fund may use alternative valuation methods to calculate the revaluation balance of the asset. Alternative valuation methods include the application of publicly issued prices from credible institutions or the asset's amortized cost.

In the case when there is an accumulated depreciation balance of the revalued asset, the accumulated depreciation balance is removed. If the asset's book value is increased as a result of a revaluation, the amount of increase is recognized as revaluation gain (net asset adjustment). If the asset's book value is decreased as a result of revaluation, the amount of decrease is recognized as revaluation loss in the net operating costs.

If the asset's book value is increased as a result of a revaluation, the amount of increase is recognized as revaluation gain, which is a net asset adjustment item. However, if the same asset had previously recognized a revaluation loss in the net operating costs, the amount of increase is first recognized as a reversal of revaluation loss up to the amount of revaluation loss previously recognized, and the remaining balance is recognized as revaluation gain. If the asset's carrying value is decreased as a result of a revaluation, the amount of decrease is recognized as revaluation loss in the net operating costs. However, if the same asset had previously recognized a revaluation gain as a net asset adjustment, the amount of decrease is first used to deduct the amount of revaluation gain up to the amount previously recognized and the remaining balance is recognized as revaluation loss.

Revaluation gains recognized as net asset adjustments are offset against gains and losses from depreciation and disposal of asset.

(10) Leases

Lease transactions where substantially all the rewards and risks in ownership of the lease asset is transferred to the lessee is classified as capital lease. Other lease transactions are classified as operating lease. For capital lease, the lower of the present value of the minimum lease payments discounted by the interest rate implicit in the lease and the fair value of the leased property is recognized as capital lease asset and capital lease liability. For operating lease, the amount of lease payments made evenly throughout the lease period is recognized as operating lease expense.

(11) Long-term provisions

In the case when the exact date and balance of expenditure is uncertain, but based on past events or as a result of a transaction, it is probable that an outflow of cash or other economic resources from the Fund is required to fulfill an obligation and the amount of outflow of cash or other economic resources can be reasonably estimated, the amount of loss is recognized as long-term provisions.

1) Allowance for Severance and Retirement Benefits

The Fund recognizes the estimated amount of severance payment to executives and employees with more than 1-year of service as of the date of statement of financial position in accordance with the employee severance payment rule as allowance for severance and retirement benefits.

2) Other long-term provisions

① Provisions for guarantees

Provisions for guarantees is evaluated by the present value of the estimated net cash outflow by the Fund due to the event of default by the prime obligor. However, in the case where it is difficult to estimate the present value of estimated net cash flows, the estimated expected loss of the guarantee balance as of the date of the statement of financial position calculated using reliable and objective basis such as the indemnitee's credit risk, loss experience rate and expected loss rate, etc. can be used as the present value of estimated net cash outflow.

The Fund applies the loss experience rate (guarantee default rate, subrogation rate, indemnity rights loss rate) to

the balance consisting of the normal guarantee balance without any claims of insolvency and to the balance with claims of insolvency but not yet paid as the payment date has not yet been reached, and recognizes the estimated balance as provisions for guarantees under other long-term provisions.

② Provisions for legal proceedings

The Fund recognizes provisions for legal proceedings from expected estimated losses based on the results of ongoing litigations and claims where the Fund is the defendant.

(12) Allowance for concessionary loan

The Fund recognizes allowance for concessionary loan related to its loan business. Allowance for concessionary loan shall be measured at a difference between the principal of the loan and the net present value of estimated collections, where the net present value of estimated collections is the present value of estimated net cash inflows generated from the loan discounted using the effective interest rate. The effective interest rate refers to the interest rate on government bonds with similar maturity as the loan. If there are financial resources directly raised for the loan business, the Fund may use the financing interest rate of the raised financial resources as the effective interest rate.

(13) Contingent Events

Contingent events refers to uncertain situation or condition in the present in which the existence of duties or obligations will be confirmed only by the occurrence of one or more uncertain future events not whole within the control of the head of central government or the managing entity of the fund. Contingent events many include ongoing litigations and claims, guarantee of payment of debt of other parties, etc.

Contingent liabilities are recognized as a liability in the statement of financial position when the occurrence of contingent loss is probable and the amount of contingent loss can be measured with sufficient reliability as of the date of statement of financial position. Contingent loss shall be included in the net operating costs and details of the contingent loss shall be disclosed in the notes.

In the case where, as of the date of statement of financial position, the occurrence of contingent loss is not probable, or the occurrence of contingent loss is probable but the amount of contingent loss cannot be measured with sufficient reliability, details of the contingent event and the financial impact of the contingent loss shall be disclosed in the notes. Additionally, if the occurrence of contingent gain is probable and the amount of contingent gain can be measured with sufficient reliability, details of the contingent event shall be disclosed in the notes.

(14) Translation of guarantees in foreign currency

Guarantees in foreign currency are translated using the basic exchange rate posted by Seoul Money Brokerage Services, LTD as of the date of statement of financial position.

(15) Income tax expense

Income tax expense consist of corporate tax incurred during the corresponding fiscal year in accordance with laws such as the corporate tax act, etc. and additional tax incurred related to corporate tax. No income tax was incurred for the current and previous fiscal year.

(16) Use of estimates

In order to prepare the financial statements of the Fund in accordance with the Korean National Accounting Standards, the Fund's management uses many reasonable estimates and assumptions for the disclosure of the amount of assets, liabilities, provisions, etc., and the estimations of revenues and expenses. Such estimated balances may differ from actual values.

(17) Changes in accounting treatment and correction of error

1) Changes in accounting treatment

Changes in accounting policy are applied retrospectively and is reflected in "accumulated effect due to changes in accounting policy" in the statement of changes in net assets for the fiscal year in which the new accounting policy is taken into effect, as well as for the fiscal year presented as comparison. In the case where the accumulated impact as a result of the change in accounting policy cannot be measured with sufficient reliability, the impact as a result of the change in accounting policy is represented in the fiscal year in which the new accounting policy is taken into effect and the fiscal years going forward.

Changes in accounting estimates are applied prospectively.

2) Correction of error

Correction of prior period errors refers to correction of errors occurred in the previous or prior fiscal years that was discovered during the current fiscal year. In the case where the correction of prior period errors is significant, adjustments are made retrospectively, and the previous financial statements are restated. The financial impact as a result of the correction of prior period's errors are represented as gains or losses from prior period error correction in the statement of changes in net assets for the fiscal year in which the error was discovered. In the case where the correction of prior period errors is not significant, the financial impact is represented as gains or losses from prior period error correction in the statement of financial operations.

3. CASH AND CASH EQUIVALENTS, LONG-TERM AND SHORT-TERM DEPOSITS

Cash and cash equivalents, long-term and short-term deposits as of the dates of statement of financial position are as follows.

(Unit: KRW)

Items	Bank	Interest rate (%)	As of December 31,	
			2023	2022
<Cash and cash equivalents>				
Cash	-	-	2,599,531	2,847,494
Ordinary deposit	Kookmin Bank etc	-	602,032,608	613,141,624
Other cash equivalents	Hana Bank etc	-	111,372,103,524	109,232,459,104
Subtotal			111,976,735,663	109,848,448,222
<Short-term deposits>				
Time deposit	Busan Bank etc	2.48~5.80	630,000,000,000	1,733,500,000,000
Other short-term deposits	Hana Bank etc	2.41~5.80	2,719,500,000,000	1,766,300,000,000
Subtotal			3,349,500,000,000	3,499,800,000,000
<Long-term deposits>				
Time deposit	Kyungnam Bank etc	4.12~4.30	140,000,000,000	588,000,000,000
Other long-term deposits	Industrial Bank etc	3.79~4.81	1,045,500,000,000	2,020,000,000,000
Subtotal			1,185,500,000,000	2,608,000,000,000
Total			4,646,976,735,663	6,217,648,448,222

4. SHORT-TERM INVESTMENT SECURITIES

(1) The Fund's short-term investment securities as of the dates of statement of financial position are as follows.

(Unit: KRW)

Items	As of December 31,	
	2023	2022
Debt securities:		
Central government bonds	352,270,991,546	311,030,864,267
Public bonds	20,165,203,533	38,199,679,131
Municipal bonds	24,641,059,036	19,996,733,034
Corporate bonds	582,949,441,857	582,184,038,413
Corporate bonds (Investment bonds) (Note 1)	2,202,755,381	2,654,750,000
Subtotal	982,229,451,353	954,066,064,845
Equity securities:		
Other equity securities (Note 2)	6,811,937,265,524	4,316,897,709,067
Total	7,794,166,716,877	5,270,963,773,912

(Note 1) Consist of corporate bonds acquired in connection with the guarantee-aligned investment business.

(Note 2) Other equity securities held by the Fund are beneficiary certificates invested in Investment Pool for Public Funds.

(2) Valuation of the Fund's short-term investment securities as of the dates of statement of financial position are as follows.

(As of December 31, 2023)

(Unit: KRW)

Items	Face value	Acquisition costs	Fair value	Valuation gains (losses)	Impairment losses	Carrying amount
Debt securities:						
Central government bonds	378,000,000,000	350,083,473,003	352,270,991,546	2,187,518,543	-	352,270,991,546
Public bonds	20,000,000,000	20,000,000,000	20,165,203,533	165,203,533	-	20,165,203,533
Municipal bonds	25,000,000,000	24,962,259,544	24,641,059,036	(321,200,508)	-	24,641,059,036
Corporate bonds	582,725,900,000	579,682,226,913	582,949,441,857	3,267,214,944	-	582,949,441,857
Corporate bonds (Investment bonds)	4,356,327,554	4,356,327,554	2,202,755,381	-	(2,153,572,173)	2,202,755,381
Subtotal	1,010,082,227,554	979,084,287,014	982,229,451,353	5,298,736,512	(2,153,572,173)	982,229,451,353
Equity securities:						
Other equity securities	6,546,922,441,852	6,526,601,623,576	6,811,937,265,524	285,335,641,948	-	6,811,937,265,524
Total	7,557,004,669,406	7,505,685,910,590	7,794,166,716,877	290,634,378,460	(2,153,572,173)	7,794,166,716,877

(As of December 31, 2022)

(Unit: KRW)

Items	Face value	Acquisition costs	Fair value	Valuation gains (losses)	Impairment losses	Carrying amount
Debt securities:						
Central government bonds	329,250,000,000	319,396,204,622	311,030,864,267	(8,365,340,355)	-	311,030,864,267
Public bonds	40,000,000,000	39,820,883,698	38,199,679,131	(1,621,204,567)	-	38,199,679,131
Municipal bonds	21,000,000,000	20,923,957,093	19,996,733,034	(927,224,059)	-	19,996,733,034
Corporate bonds	605,748,000,000	603,661,575,585	582,184,038,413	(21,477,537,172)	-	582,184,038,413
Corporate bonds (Investment bonds)	2,654,750,000	2,654,750,000	2,654,750,000	-	-	2,654,750,000
Subtotal	998,652,750,000	986,457,370,998	954,066,064,845	(32,391,306,153)	-	954,066,064,845
Equity securities:						
Other equity securities	4,413,100,663,902	4,382,766,015,530	4,316,897,709,067	(65,868,306,463)	-	4,316,897,709,067
Total	5,411,753,413,902	5,369,223,386,528	5,270,963,773,912	(98,259,612,616)	-	5,270,963,773,912

(3) The details of impairment losses and reversals of the Fund's short-term investment securities for the current and previous years are as follows:

(Unit: KRW)

Items	2023		2022	
	Impairment losses	Reversals of impairment losses	Impairment losses	Reversals of impairment losses
Corporate bonds (Investment bonds)	1,103,572,173	-	-	-
Total	1,103,572,173	-	-	-

For short-term investment securities, if the recoverable value falls below the book value and the decline continues for a long period of time and there is no possibility of recovery, the difference with the book value is recognized as an impairment loss. If the recoverable value of short-term investment securities that has been written down recovers to more than the book value if it had not been written down, the write-down loss is reversed up to the book value.

5. LONG-TERM INVESTMENT SECURITIES

(1) The Fund's long-term investment securities as of the dates of statement of financial position are as follows.

(Unit: KRW)

Items	As of December 31,	
	2023	2022
Debt securities:		
Central government bonds	256,159,303,372	320,645,065,113
Public bonds	9,677,628,153	9,607,990,884
Corporate bonds	484,774,793,334	521,302,431,975
Corporate bonds (Investment bonds) (Note 1)	6,026,013,664	9,241,963,200
Subtotal	756,637,738,523	860,797,451,172
Equity securities:		
Equities (Note 2)	132,723,440,964	148,351,868,656
Equities (Investment equities) (Note 1)	340,859,129,248	287,277,012,983
Subtotal	473,582,570,212	435,628,881,639
Total	1,230,220,308,735	1,296,426,332,811

(Note 1) Consist of corporate bonds and equity securities acquired in connection with the guarantee-aligned investment business.

(Note 2) Consist of stocks acquired from indemnity rights of guarantees - equity swaps, stocks acquired as a substitute payment from SPC specialized in Primary Collateralized Bond Obligation (P-CBO), etc.

(2) Valuation of the Fund's long-term investment securities as of the dates of statement of financial position are as follows.

(As of December 31, 2023)

(Unit: KRW)

Items	Face value	Acquisition costs	Fair value	Valuation gains (losses)	Impairment losses	Carrying amount
Debt securities:						
Central government bonds	259,000,000,000	257,035,358,863	256,159,303,372	(876,055,491)	-	256,159,303,372
Public bonds	10,000,000,000	9,440,598,253	9,677,628,153	237,029,900	-	9,677,628,153
Corporate bonds	481,803,100,000	481,653,268,273	484,774,793,334	3,121,525,061	-	484,774,793,334
Corporate bonds (Investment bonds)	7,979,474,200	7,979,474,200	6,026,013,664	-	(1,953,460,536)	6,026,013,664
Subtotal	758,782,574,200	756,108,699,589	756,637,738,523	2,482,499,470	(1,953,460,536)	756,637,738,523
Equity securities:						
Equities	-	334,492,268,508	132,723,440,964	1,211,073,261	(202,979,900,805)	132,723,440,964
Equities (Investment equities)	-	376,420,980,981	340,859,129,248	7,775,674,820	(43,337,526,553)	340,859,129,248
Subtotal	-	710,913,249,489	473,582,570,212	8,986,748,081	(246,317,427,358)	473,582,570,212
Total	758,782,574,200	1,467,021,949,078	1,230,220,308,735	11,469,247,551	(248,270,887,894)	1,230,220,308,735

(As of December 31, 2022)

(Unit: KRW)

Items	Face value	Acquisition costs	Fair value	Valuation gains (losses)	Impairment losses	Carrying amount
Debt securities:						
Central government bonds	336,000,000,000	330,418,752,261	320,645,065,113	(9,773,687,148)	-	320,645,065,113
Public bonds	10,000,000,000	9,999,739,814	9,607,990,884	(391,748,930)	-	9,607,990,884
Corporate bonds	533,400,000,000	532,613,281,182	521,302,431,975	(11,310,849,207)	-	521,302,431,975
Corporate bonds (Investment bonds)	10,291,963,200	10,291,963,200	9,241,963,200	-	(1,050,000,000)	9,241,963,200
Subtotal	889,691,963,200	883,323,736,457	860,797,451,172	(21,476,285,285)	(1,050,000,000)	860,797,451,172
Equity securities:						
Equities	-	349,095,580,682	148,351,868,656	1,211,073,261	(201,954,785,287)	148,351,868,656
Equities (Investment equities)	-	323,844,629,801	287,277,012,983	(647,739,938)	(35,919,876,880)	287,277,012,983
Subtotal	-	672,940,210,483	435,628,881,639	563,333,323	(237,874,662,167)	435,628,881,639
Total	889,691,963,200	1,556,263,946,940	1,296,426,332,811	(20,912,951,962)	(238,924,662,167)	1,296,426,332,811

(3) The details of impairment losses and reversals of the Fund's long-term investment securities for the current and previous years are as follows:

(Unit: KRW)

Items	2023		2022	
	Impairment losses	Reversals of impairment losses	Impairment losses	Reversals of impairment losses
Corporate bonds (Investment bonds)	1,953,460,536	-	-	-
Equities	2,779,552,364	-	2,556,125,972	-
Equities (Investment equities)	9,074,767,803	-	8,484,540,780	-
Total	13,807,780,703	-	11,040,666,752	-

For long-term investment securities, if the recoverable value falls below the book value and the decline continues for a long period of time and there is no possibility of recovery, the difference with the book value is recognized as an impairment loss. If the recoverable value of long-term investment securities that has been written down recovers to more than the book value if it had not been written down, the write-down loss is reversed up to the book value.

6. LONG-TERM AND SHORT-TERM ACCOUNTS RECEIVABLES

The Fund's long-term and short-term accounts receivables as of the dates of statement of financial position are as follows.

(Unit: KRW)

Items	As of December 31,	
	2023	2022
<Accounts receivables>		
Receivables for income generated in exchange for providing goods and services	1,612,477	505,613
Guarantee income receivables	451,239,288	280,158,763
Interest income receivables (Note 1)	192,312,786,064	79,650,175,857
Other accounts receivables (Note 2)	25,145,827,576	8,395,491,040
Provisions for other accounts receivables	-	-
Subtotal	217,911,465,405	88,326,331,273
<Long-term accounts receivables>		
Long-term interest income receivables (Note 1)	14,954,227,076	32,180,406,215
Total	232,865,692,481	120,506,737,488

(Note 1) Long-term and short-term interest income receivables were recognized separately.

(Note 2) Provisions are recognized for other accounts receivables in consideration of the likelihood of collection.

7. LONG-TERM AND SHORT-TERM LOANS

(1) The Fund's long-term and short-term loans as of the dates of statement of financial position are as follows.

(Unit: KRW)

Items	As of December 31,	
	2023	2022
<Short-term loans>		
Loans (Note 1)	362,687,920	423,019,961
Provisions for loans	(2,752,298)	(3,759,362)
Government deposits (Note 2)	-	250,000,000,000
Subtotal	359,935,622	250,419,260,599
<Long-term loans>		
Loans (Note 1)	4,620,036,639	4,521,045,809
Provisions for loans	(224,858,298)	(182,961,388)
Subtotal	4,395,178,341	4,338,084,421
Total	4,755,113,963	254,757,345,020

(Note 1) Loans consist of housing loans and tuition loans related to executives and employees. The difference between the nominal value of tuition loans, which is interest free, and the present value of future cash flows based on the repayment schedule is recognized as allowance for concessionary loan. The interest rate of treasury bonds with a maturity of 5-years was used as discount rate for the tuition loan. The cost for concessionary loan is 97 million won for the current year and 86 million won for the previous year.

(Note 2) Government deposits are deposits related to public fund management funds (interest rate: 0.81%)

(2) Details of increase and decrease in long-term and short-term loans for the years ended December 31, 2023 and 2022 are as follows.

(For the year ended December 31, 2023)

(Unit: KRW)

Items	Beginning balance	Increase	Decrease	Ending balance
<Short-term loans>				
Loans	423,019,961	362,687,920	423,019,961	362,687,920
Provisions for loans	(3,759,362)	(2,752,298)	(3,759,362)	(2,752,298)
Government deposits	250,000,000,000	-	250,000,000,000	-
Subtotal	250,419,260,599	359,935,622	250,419,260,599	359,935,622
<Long-term loans>				
Loans	4,521,045,809	1,312,318,811	1,213,327,981	4,620,036,639
Provisions for loans	(182,961,388)	(93,989,732)	(52,092,822)	(224,858,298)
Subtotal	4,338,084,421	1,218,329,079	1,161,235,159	4,395,178,341
Total	254,757,345,020	1,578,264,701	251,580,495,758	4,755,113,963

(For the year ended December 31, 2022)

(Unit: KRW)

Items	Beginning balance	Increase	Decrease	Ending balance
<Short-term loans>				
Loans	490,731,068	423,019,961	490,731,068	423,019,961
Provisions for loans	(4,576,470)	(3,759,362)	(4,576,470)	(3,759,362)
Government deposits (Note 1)	-	250,000,000,000	-	250,000,000,000
Subtotal	486,154,598	250,419,260,599	486,154,598	250,419,260,599
<Long-term loans>				
Loans	4,976,156,470	1,443,144,928	1,898,255,589	4,521,045,809
Provisions for loans	(148,432,414)	(90,185,190)	(55,656,216)	(182,961,388)
Government deposits (Note 1)	250,000,000,000	-	250,000,000,000	-
Subtotal	254,827,724,056	1,352,959,738	251,842,599,373	4,338,084,421
Total	255,313,878,654	251,772,220,337	252,328,753,971	254,757,345,020

(Note 1) The increase and decrease correspond to changes due to liquidity replacement.

8. OTHER CURRENT ASSETS

(1) The Fund's other current assets as of the dates of statement of financial position are as follows.

(Unit: KRW)

Items	As of December 31,	
	2023	2022
Prepaid value added tax	64,602,745	63,473,741
Advance payments	1,954,032,172	1,036,847,544
Prepaid expenses	33,577,338	34,345,669
Payment guarantee deposit	126,678,469,096	126,875,627,191
Prepaid corporate tax	18,167,484,600	8,704,498,060
Indemnity rights	3,316,187,381,252	2,646,076,996,006
Provisions for indemnity rights loss	(2,751,441,021,082)	(2,164,331,455,386)
Total	711,644,526,121	618,460,332,825

(2) Change in indemnity rights for the years ended December 31, 2023 and 2022 are as follows.

(For the year ended December 31, 2023)

(Unit: KRW)

Items	Beginning balance	Occurrence	Collection or conversion amount	Amortization	Ending balance
Indemnity rights	2,646,076,996,006	2,299,919,068,504	296,502,910,523	1,333,305,772,735	3,316,187,381,252

(For the year ended December 31, 2022)

(Unit: KRW)

Items	Beginning balance	Occurrence	Collection or conversion amount	Amortization	Ending balance
Indemnity rights	2,885,571,849,281	1,481,796,589,289	437,223,225,940	1,284,068,216,624	2,646,076,996,006

(3) Change in provisions for indemnity rights loss for the years ended December 31, 2023 and 2022 are as follows.

(Unit: KRW)

Items	For the year ended December 31,	
	2023	2022
Beginning balance	2,164,331,455,386	2,348,681,056,110
<Increase>		
Increase in provisions	1,745,134,552,810	1,087,089,020,055
Collection of amortized receivables	407,219,948,544	170,986,435,654
Subtotal	2,152,354,501,354	1,258,075,455,709
<Decrease>		
Amortization	497,862,106,235	1,284,068,216,624
Collection of converted stocks	1,045,066,104,689	151,671,115,753
Reversal of provisions	22,316,724,734	6,685,724,056
Subtotal	1,565,244,935,658	1,442,425,056,433
Ending balance	2,751,441,021,082	2,164,331,455,386

(4) The rate of provision used to calculate the indemnity rights subject to provisions as of the dates of statement of financial position is as follows.

(As of December 31, 2023)

(Unit: KRW)

Items	As of December 31, 2023			
	Indemnity rights	Provisions	Book value	Provisions rate (%)
General indemnity rights	3,196,650,570,387	(2,699,109,166,499)	497,541,403,888	84.44
Re-guarantees compensation	1,014,862,952	(860,085,113)	154,777,839	84.75
P-CBO indemnity rights	34,270,088,616	(10,100,293,362)	24,169,795,254	29.47
Indemnity rights in P-CBO guarantee(bond market stabilization)	40,593,733,884	(12,547,128,796)	28,046,605,088	30.91
Advances	18,623,348,321	(15,755,684,706)	2,867,663,615	84.60
Bond paid as substitutes	25,034,777,092	(13,068,662,606)	11,966,114,486	52.20
Total	3,316,187,381,252	(2,751,441,021,082)	564,746,360,170	82.97

(As of December 31, 2022)

(Unit: KRW)

Items	As of December 31, 2022			
	Indemnity rights	Provisions	Book value	Provisions rate (%)
General indemnity rights	2,501,352,042,831	(2,066,734,679,088)	434,617,363,743	82.62
Re-guarantees compensation	1,114,343,986	(920,619,173)	193,724,813	82.62
P-CBO indemnity rights	48,742,494,312	(37,482,277,902)	11,260,216,410	76.90
Indemnity rights in P-CBO guarantee(bond market stabilization)	44,479,331,122	(34,265,222,403)	10,214,108,719	77.04
Advances	17,234,521,642	(14,239,144,893)	2,995,376,749	82.62
Bond paid as substitutes	31,385,242,753	(10,689,511,927)	20,695,730,826	34.06
Dividend bonds	1,769,019,360	-	1,769,019,360	-
Total	2,646,076,996,006	(2,164,331,455,386)	481,745,540,620	81.79

9. OTHER INVESTMENTS

The Fund's other investments as of the dates of statement of financial position are as follows.

(Unit: KRW)

Items	As of December 31,					
	2023			2022		
	Acquisition cost	Accumulated depreciation	Carrying amount	Acquisition cost	Accumulated depreciation	Carrying amount
Membership	1,423,968,390	(500,968,390)	923,000,000	2,999,466,270	(1,652,532,937)	1,346,933,333
Other other investments (Note 1)	4,596,355,607	-	4,596,355,607	3,000,000,000	-	3,000,000,000
Total	6,020,323,997	(500,968,390)	5,519,355,607	5,999,466,270	(1,652,532,937)	4,346,933,333

(Note 1) Other other investments are investments in cultural content projects

10. GENERAL PROPERTY, PLANT AND EQUIPMENT

(1) Change in general property, plant and equipment for the years ending December 31, 2023 and 2022 are as follows.

(For the year ended December 31, 2023)

(Unit: KRW)

Items	Beginning carrying amount	Additions / Capital expenditures	Replacement	Disposals	Depreciation expense	Revaluation increase (decrease) (Note 1)	Other increase (decrease)	Ending carrying amount
Land	352,185,305,788	3,174,932,526	-	-	-	-	-	355,360,238,314
Buildings	181,176,057,990	1,532,259,004	-	(43,982,970)	(6,592,567,064)	(999,243,760)	-	175,072,523,200
Structures	839,893,409	-	-	-	(29,678,881)	(35,784,731)	-	774,429,797
Machinery	5,184,486,629	1,604,153,222	-	(184,456)	(2,626,411,347)	-	-	4,162,044,048
Furniture and fixtures, office equipment, vehicles	6,016,244,537	4,902,126,725	-	(8,732,806)	(3,439,061,992)	-	-	7,470,576,464
Other general PP&E	3,032,285,727	1,420,342,355	-	(484,764)	(1,607,255,655)	-	-	2,844,887,663
General PP&E under construction	-	-	-	-	-	-	-	-
Total	548,434,274,080	12,633,813,832	-	(53,384,996)	(14,294,974,939)	(1,035,028,491)	-	545,684,699,486

(Note 1) The revaluation increase(decrease) of buildings consists of the increase in assets due to the current revaluation and the revaluation gain offset against depreciation expense, and the revaluation increase(decrease) of structures is the revaluation gain offset against depreciation expense.

(For the year ended December 31, 2022)

(Unit: KRW)

Items	Beginning carrying amount	Additions / Capital expenditures	Replacement	Disposals	Depreciation expense	Revaluation increase (decrease) (Note 1)	Other increase (decrease)	Ending carrying amount
Land	321,255,368,786	2,225,231,776	-	-	-	28,704,705,226	-	352,185,305,788
Buildings	182,726,765,802	5,934,250,717	277,171,600	-	(6,607,560,521)	(1,154,569,608)	-	181,176,057,990
Structures	905,357,021	-	-	-	(29,678,881)	(35,784,731)	-	839,893,409
Machinery	4,759,962,179	2,976,245,754	-	(183,306)	(2,551,537,998)	-	-	5,184,486,629
Furniture and fixtures, office equipment, vehicles	6,330,622,790	3,305,613,195	-	(6,387,659)	(3,613,603,789)	-	-	6,016,244,537
Other general PP&E	3,374,266,782	1,284,247,976	-	(1,362,933)	(1,624,866,098)	-	-	3,032,285,727
General PP&E under construction	277,171,600	-	(277,171,600)	-	-	-	-	-
Total	519,629,514,960	15,725,589,418	-	(7,933,898)	(14,427,247,287)	27,514,350,887	-	548,434,274,080

(Note 1) The revaluation increase(decrease) of land refers to the increase in land from revaluation performed during the current fiscal year. The revaluation variance of buildings and structures is the revaluation gain offset against depreciation expense.

(2) Revaluation of general property, plant and equipment

Details of revaluation performed during the current and previous fiscal year is as follows.

(For the year ended December 31, 2023)

(Unit: KRW)

Type of asset	Revaluation method	Revaluation balance	Carrying amount prior to revaluation	Loss on revaluation	Gain on revaluation (Occurred)	Gain on revaluation (Remaining)
Buildings	Fair Value	135,360,000	19,283,204	-	116,076,796	116,076,796

(For the year ended December 31, 2022)

(Unit: KRW)

Type of asset	Revaluation method	Revaluation balance	Carrying amount prior to revaluation	Loss on revaluation	Gain on revaluation (Occurred)	Gain on revaluation (Remaining)
Land	Land value by public announcement	100,740,498,538	72,035,793,312	-	28,704,705,226	74,269,179,632

(3) Details of registered insurance policies as of the date of statement of financial position is as follows.

(Unit: KRW)

Type of insurance	Insured assets	Insured amount	Name of insurance company
Property All Risks Insurance	Buildings, structures, etc.	322,887,889,297	ACE American Fire & Marine Insurance Co., Ltd., DB INSURANCE CO., LTD

In addition to the above stated insurance policies, the Fund has vehicle insurance, gas accident liability insurance and commercial general liability insurance.

(4) The publicly announced value of the Fund's land as of the dates of statement of financial position are as follows.

(Unit: KRW)

Item	As of December 31,			
	2023		2022	
	Carrying amount	Publicly announced value	Carrying amount	Publicly announced value
Land	355,360,238,314	368,491,072,469	352,185,305,788	391,175,506,334

11. INTANGIBLE ASSETS

Change in intangible assets for the years ending December 31, 2023 and 2022 are as follows.

(For the year ended December 31, 2023)

(Unit: KRW)

Items	Beginning carrying amount	Additions / Capital expenditures	Replacement	Disposals	Depreciation expense	Ending carrying amount
Industrial property rights	19,103,856	-	-	-	(4,217,454)	14,886,402
Software	14,565,121,589	830,659,890	-	-	(8,376,520,703)	7,019,260,776
In-house software	7,059,810,619	-	-	-	(5,551,967,772)	1,507,842,847
Purchased software	7,505,310,970	830,659,890	-	-	(2,824,552,931)	5,511,417,929
Total	14,584,225,445	830,659,890	-	-	(8,380,738,157)	7,034,147,178

(For the year ended December 31, 2022)

(Unit: KRW)

Items	Beginning carrying amount	Additions / Capital expenditures	Replacement	Disposals	Depreciation expense	Ending carrying amount
Industrial property rights	10,611,743	12,782,634	-	-	(4,290,521)	19,103,856
Software	20,390,597,720	2,609,297,750	-	-	(8,434,773,881)	14,565,121,589
In-house software	12,815,732,046	71,497,990	-	-	(5,827,419,417)	7,059,810,619
Purchased software	7,574,865,674	2,537,799,760	-	-	(2,607,354,464)	7,505,310,970
Total	20,401,209,463	2,622,080,384	-	-	(8,439,064,402)	14,584,225,445

12. OTHER OTHER NON-CURRENT ASSETS

The Fund's other other non-current assets as of the dates of statement of financial position are as follows.

(Unit: KRW)

Items	As of December 31,	
	2023	2022
Long-term deposits for guarantees of obligations		
Long-term rental deposit	96,017,023,412	77,190,082,036
Telephone subscription deposit.	8,300,000	8,300,000
Long-term other deposit for guarantees of obligations	185,729,207	178,146,945
Total	96,211,052,619	77,376,528,981

13. OTHER CURRENT AND NON- CURRENT LIABILITIES

(1) Other current liabilities

The Fund's other current liabilities as of the dates of statement of financial position are as follows.

(Unit: KRW)

Items	As of December 31,	
	2023	2022
Accounts payable	13,551,604,491	18,990,753,322
Withholdings	80,188,779,644	102,248,139,148
Deposits received	21,340,900,000	21,475,000,000
Advances	3,799,344,508	5,737,258,859
Accrued expenses payable (Note 1)	22,592,915,238	22,057,127,861
Unearned revenues (Note 2)	477,711,239,906	509,690,354,963
Total	619,184,783,787	680,198,634,153

(Notes 1) Accrued expense payables consist of annual paid leaves, incentives and social insurance premiums charged to users accrued during the current fiscal year.

(Note 2) Based on the date of advanced collection of revenue, unearned revenues (unearned fees on guarantees) are classified as either long-term or short-term.

(2) Other non-current liabilities

The Fund's other non-current liabilities as of the dates of statement of financial position are as follows.

(Unit: KRW)

Items	As of December 31,	
	2023	2022
Long-term deposits received	15,192,000,000	14,886,000,000
Long-term unearned revenues (Note 1)	51,363,512,142	123,380,122,035
Total	66,555,512,142	138,266,122,035

(Note 1) Based on the date of advanced collection of revenue, unearned revenues (unearned fees on guarantees) are classified as either long-term or short-term.

14. LONG-TERM PROVISIONS

(1) Allowance for severance and retirement benefits

Change in allowance for severance and retirement benefits for the years ended December 31, 2023 and 2022 are as follows.

(Unit: KRW)

Items	For the year ended December 31,	
	2023	2022
Beginning balance	260,069,825,804	251,728,153,295
Increase in allowance for severance and retirement benefits	29,168,040,206	30,593,293,431
Severance payment	19,291,033,993	22,251,620,922
Ending balance	269,946,832,017	260,069,825,804
Due from Insurance Retirement Benefits (Note 1)	(152,544,134,415)	(137,498,909,877)
Ending balance	117,402,697,602	122,570,915,927

(Note 1) Allowance for severance and retirement benefits as of December 31, 2023 is KRW 269,947 million. The Fund has deposited its severance payment reserves in financial companies, etc. for the purpose of using the reserve for employee severance payments.

(2) Other long-term provisions

1) The Fund's other long-term provisions as of the dates of statement of financial position are as follows.

(Unit: KRW)

Items	For the year ended December 31,	
	2023	2022
Provision for guarantees	2,727,224,622,176	2,913,761,381,367
Provisions for litigations (Note 1)	5,916,698,339	4,981,102,108
Total	2,733,141,320,515	2,918,742,483,475

(Note 1) In the case for pending litigations, the Fund has established the most reliable amount of expected future payments as provisions. Details of significant pending litigations and claims as of the date of statement of financial position are described in Note 20.(1).

2) Change in provisions for guarantees for the years ended December 31, 2023 and 2022 are as follows.

(Unit: KRW)

Items	For the year ended December 31,	
	2023	2022
Beginning balance	2,913,761,381,367	3,103,339,605,998
Amount increased	491,072,049,999	11,026,556,879
Amount decreased	677,608,809,190	200,604,781,510
Ending balance	2,727,224,622,176	2,913,761,381,367

3) The amount of provisions for guarantees and the rate of provisions set for each guarantee type as of the dates of statement of financial position are as follows.

(As of December 31, 2023)

(Unit: KRW)

Items	General guarantee	P-CBO guarantee	P-CBO guarantee (bond market stabilization)	Total
Guarantees amount	67,427,446,207,085	2,622,845,759,961	11,572,360,149,944	81,622,652,116,990
Provision for guarantees	2,376,340,102,156	58,541,402,708	292,343,117,312	2,727,224,622,176
Provisions rate (%)	3.52%	2.23%	2.53%	3.34%

(As of December 31, 2022)

(Unit: KRW)

Items	General guarantee	P-CBO guarantee	P-CBO guarantee (bond market stabilization)	Total
Guarantees amount	68,135,885,124,610	3,593,459,217,604	11,639,573,425,544	83,368,917,767,758
Provision for guarantees	2,085,956,781,784	124,931,589,920	702,873,009,663	2,913,761,381,367
Provisions rate (%)	3.06%	3.48%	6.04%	3.50%

4) The change in provisions for guarantees for each guarantee type for the years ended December 31, 2023 and 2022 are as follows.

(For the year ended December 31, 2023)

(Unit: KRW)

Items	General guarantee	P-CBO guarantee	P-CBO guarantee (bond market stabilization)	Total
Beginning balance	2,085,956,781,784	124,931,589,920	702,873,009,663	2,913,761,381,367
Amount increased	306,462,178,462	37,142,577,998	147,467,293,539	491,072,049,999
Amount decreased	16,078,858,090	103,532,765,210	557,997,185,890	677,608,809,190
Ending balance	2,376,340,102,156	58,541,402,708	292,343,117,312	2,727,224,622,176

(For the year ended December 31, 2022)

(Unit: KRW)

Items	General guarantee	P-CBO guarantee	P-CBO guarantee (bond market stabilization)	Total
Beginning balance	2,119,240,353,521	251,304,556,402	732,794,696,075	3,103,339,605,998
Amount increased	8,138,972,414	-	2,887,584,465	11,026,556,879
Amount decreased	41,422,544,151	126,372,966,482	32,809,270,877	200,604,781,510
Ending balance	2,085,956,781,784	124,931,589,920	702,873,009,663	2,913,761,381,367

15. TOTAL PROGRAM COSTS

Total program costs for the years ended December 31, 2023 and 2022 are as follows.

(Unit: KRW)

Items	For the year ended December 31,	
	2023	2022
Staff costs	196,495,831,557	194,356,012,553
Other employment benefits	27,187,784,960	27,642,429,481
Supplies	2,434,796,887	2,271,478,392
Printing expenses	104,861,250	94,743,302
Advertising	648,548,983	1,063,093,415
Service fees	14,685,841,157	14,932,747,303
Taxes and dues	3,361,652,159	3,419,830,502
Utilities	1,585,629,850	1,292,908,105
Insurance expense	22,453,769	25,948,416
Education & training expenses	572,081,726	456,350,421
Rent expense	6,992,355,603	6,776,101,405
Fuel expenses	101,919,398	135,513,105
Repair and maintenance costs	1,035,513,538	1,182,074,390
Travel expenses	2,862,227,647	2,868,929,344
Business promotion expenses	1,829,508,852	1,929,438,467
Outsourcing expenses	16,154,879,817	15,638,011,432
Provisions expense (Note 1)	96,742,030	85,608,720
Depreciation expenses	9,637,125,431	9,661,500,766
Bad debt expenses	1,722,817,828,076	1,080,403,295,999
Impairment loss	14,911,352,876	11,040,666,752
Loss on disposal of assets	120,267,605,476	17,706,675,308
R&D Expenses	1,153,588,100	1,859,580,000
Other expenses	5,447,437,749	4,310,097,939
Total	2,150,407,566,891	1,399,153,035,517

(Note 1) Consist of expenses incurred due to provision for guarantees and allowance for concessionary loans.

16. PROGRAM REVENUES

Total program revenues for the years ended December 31, 2023 and 2022 are as follows.

(Unit: KRW)

Items	For the year ended December 31,	
	2023	2022
1. Income generated in exchange for providing goods and services		
(1) Income generated in exchange for services	14,779,452,145	14,734,913,637
Subtotal	14,779,452,145	14,734,913,637
2. Interest income		
(1) Interest from corporate bonds	203,449,019	373,015,375
(2) Other interest income (Note 1)	6,926,741,987	9,572,489,426
Subtotal	7,130,191,006	9,945,504,801
3. Gain on disposal of assets		
(1) Gain on disposal of long-term investment securities	102,129,380,755	26,408,710,065
(2) Gain on disposal of long-term investment	53,248,206	-
Subtotal	102,182,628,961	26,408,710,065
4. Other revenues		
(1) Miscellaneous gain	10,199,140,247	8,939,956,338
(2) Indemnity gains	87,116,990,740	58,946,012,712
(3) Dividend income	44,443,090,070	15,306,648,097
(4) reversal of provision	186,536,759,191	189,578,224,631
Subtotal	328,295,980,248	272,770,841,778
5. Gain on guarantee		
(1) Gain on guarantee	821,991,425,520	826,421,705,670
Subtotal	821,991,425,520	826,421,705,670
Total	1,274,379,677,880	1,150,281,675,951

(Note 1) Other interest income consist of gain (or loss) on amount of guarantee liabilities discharged (damages) and interest income from deposits.

17. COSTS NOT ASSIGNED TO PROGRAMS

Costs not assigned to programs for the years ended December 31, 2023 and 2022 are as follows.

(Unit: KRW)

Items	For the year ended December 31,	
	2023	2022
1. Service fees	324,102,576	317,764,218
2. Bad debt expenses (Note 1)	-	83,865,714
3. Interest expenses	11,813,177	10,119,083
4. Loss on disposal of assets		
(1) Loss on disposal of short-term investment securities	24,432,529,350	127,213,425,789
(2) Loss on disposal of long-term investment securities	3,390,504,396	7,099,039,291
Subtotal	27,823,033,746	134,312,465,080
5. Other expenses		
(1) Donations	-	79,908,102
(2) Loss on disposal(discard) of assets	6,298,026	6,584,898
(3) Provision for litigation	514,641,929	4,712,245,475
(4) Miscellaneous loss	2,208,143,816	2,520,975,570
(5) Loss on prior period error correction	29,608,361	397,192,936
Subtotal	2,758,692,132	7,716,906,981
Total	30,917,641,631	142,441,121,076

(Note 1) Loss from increase in allowance for doubtful accounts, accounts receivables

18. REVENUES NOT ASSIGNED TO PROGRAMS

Revenues not assigned to programs for the years ended December 31, 2023 and 2022 are as follows.

Items	(Unit: KRW)	
	For the year ended December 31,	
	2023	2022
1. Income generated in exchange for providing goods and services		
(1) Income generated in exchange for services	1,192,736,800	1,169,080,410
(2) Right to use payment	671,038,856	658,933,473
(3) Service gain	168,009,100	152,765,200
Subtotal	2,031,784,756	1,980,779,083
2. Interest income		
(1) Interest on time deposit	52,251,296,053	61,800,269,400
(2) Interest on other deposits	162,157,154,782	74,747,569,055
(3) Interest on central government bonds	18,875,481,009	13,756,077,439
(4) Interest on public bonds	944,048,115	615,204,534
(5) Interest on municipal bonds	464,915,282	373,028,136
(6) Interest on corporate bonds	40,170,679,304	21,532,118,334
(7) Interest on governmental deposits	1,176,164,376	2,024,999,990
(8) Interest on loan	150,194,120	93,446,713
Subtotal	276,189,933,041	174,942,713,601
3. Gain on disposal of assets		
(1) Gain on disposal of short-term investment securities	105,801,730,637	805,286,859
(2) Gain on disposal of long-term investment securities	2,048,503,904	213,195,925
(3) Gain on disposal of other investments	224,593,952	-
(4) Gain on disposal of general property, plant and equipment	25,281,030	5,486,000
Subtotal	108,100,109,523	1,023,968,784
4. Other revenues		
(1) Dividend income	530,953,100	508,734,900
(2) Reversal of impairment loss of general property, plant and equipment	-	1,707,536,944
(3) Gain from return of expenses	101,110,507	-
(4) Gain on prior period error correction	76,866,481	818,592,167
(5) Miscellaneous gain	721,001,030	862,632,541
Subtotal	1,429,931,118	3,897,496,552
Total	387,751,758,438	181,844,958,020

19. GAIN AND LOSS ON PRIOR PERIOD CORRECTIONS

There were no significant prior period error corrections, and for non-critical prior period error corrections, prior error correction profit (revenues not assigned to programs) of KRW 77 million and prior error correction loss (costs not assigned to programs) of KRW 30 million were reflected in the current Statement of Financial Operations.

20. CONTINGENCIES AND COMMITMENTS

(1) Legal proceedings in process

Major ongoing litigations and claims as of the date of statement of financial position are as follows.

1) Litigations where the Fund is the plaintiff

(Unit : No. of cases, KRW)

Description of litigation	Court	Defendant	No. of cases	Amount of lawsuit
Payment order	Daegu district court, etc.	OOO	1,195	181,239,629,018
Lawsuit for demand of indemnity payments	Seoul central district court, etc.	OOO	371	95,469,483,018
Lawsuit for revocation of fraudulent act	Suwon High court, etc.	OOO	292	63,713,636,780
Lawsuit for dividends objection	Yeoju branch of Suwon district court, etc.	OOO	28	4,457,069,718
Lien search confirmation trial	Gwangju district court, etc.	OOO	14	6,672,065,591
Lawsuit for compensation	Bucheon branch of Incheon District Court, etc.	OOO	12	2,633,704,618
Lawsuit for collection	Gwangju district court, etc.	OOO	10	894,058,813
Disclaimer of corporate personality	Seoul southern district court, etc	OOO	8	1,803,676,412
Cancellation of mortgage registration	western branch, etc.	OOO	8	763,978,285
Lawsuit for unjust enrichment	Suwon district court, etc.	OOO	7	1,002,178,809
Continued usage of trade name	Jeonju district court	OOO	4	362,036,376
credit investigation confirmation trial	Ulsan district court, etc.	OOO	3	3,507,506,789
Objection of provisional seizure	Gangneung branch of Chuncheon district court, etc.	OOO	2	1,107,450,000
Eviction suit	Tongyeong branch of Changwon district court	OOO	1	204,725,852
Others	the Supreme court, etc.	OOO	44	9,955,493,716
Total			1,999	373,786,693,795

2) Litigations where the Fund is the defendant

(Unit : No. of cases, KRW)

Description of litigation	Court	Plaintiff	No. of cases	Amount of lawsuit
Lawsuit for performance of guarantee obligation	Seoul central district court, etc.	OOO	9	2,635,719,652
Lawsuit for dividends objection	Cheonan branch of Daejeon district court, etc.	OOO	6	2,516,497,378
Lawsuit for unjust enrichment	Seoul High court, etc.	OOO	6	282,593,068
Wage litigation	Seoul High court, etc.	OOO	5	6,571,930,364
Cancellation of mortgage registration	Goyang branch of Uijeongbu district court, etc.	OOO	4	80,236,770
Lien search confirmation trial	Daegu district court, etc.	OOO	3	7,059,621,990
Lawsuit for revocation of fraudulent act	Pyeongtaek branch of Suwon district court, etc.	OOO	3	495,717,013
3rd party's action for an objection	Gwangju district court, etc.	OOO	3	504,118,450
Eviction suit	Busan district court	OOO	1	135,000,000
Others	Seoul High court, etc.	OOO	22	1,932,522,693
Total			62	22,213,957,378

(Note 1) For the seven cases, including four lawsuits regarding performance of guarantee obligations, the Fund has established provisions, as illustrated in Note 14.(2).

(2) Assets used as collateral

Assets owned by the Fund used as collateral for the protection of lessee's rights as of the date of the statement of financial position are as follows.

(Unit: KRW)

Assets used as collateral	Carrying amount	Amount collateralized	Related liabilities		Secured Creditors
			Accounts	Carrying amount	
Land, Buildings (KODIT Gyeonggi Debt Collection Unit)	9,705,315,000	492,000,000	Rent deposit	492,000,000	Suwon Central Credit Union
Buildings (KODIT Uijeongbu Branch)	654,498,197	1,000,000,000	Rent deposit	1,000,000,000	Korea Asset Management Corp.
Buildings (KODIT Anyang Branch)	1,780,711,384	3,350,000,000	Rent deposit	3,350,000,000	Hyundai Motor Company
Total	12,140,524,581	4,842,000,000	Total	4,842,000,000	

(3) Payment guarantee details provided by a third party

As of the date of statement of financial position, payment guarantee related to deposit, etc. of KRW 673,058 million was provided by Seoul Guarantee Insurance.

(4) Commitments

As of the date of statement of financial position, the Fund has entered into credit guarantee fund operation consignment agreements with Industrial Bank of Korea and 14 other banks. The consignment fee is 10% of revenue from consigned guarantees.

21. CREDIT GUARANTEE

(1) As of the date of statement of financial position, the guarantee balance for each guarantee type is as follows.

(Unit: KRW)

Items	Type	As of December 31,	
		2023	2022
General guarantee	Loan guarantees	63,108,236,550,503	63,628,607,053,983
	Guarantees of obligation guarantees	410,338,540,560	379,973,570,774
	Promissory note guarantees	48,352,050,000	58,877,550,000
	Non-banking financing guarantees	1,139,366,612,251	1,368,216,929,138
	Obligation guarantees	18,389,513,034	35,967,149,570
	Transaction collateral guarantees	2,702,762,940,737	2,664,242,871,145
Subtotal		67,427,446,207,085	68,135,885,124,610
P-CBO guarantee		2,622,845,759,961	3,593,459,217,604
P-CBO guarantee(bond market stabilization)		11,572,360,149,944	11,639,573,425,544
Total		81,622,652,116,990	83,368,917,767,758

(2) As of the date of statement of financial position, the Fund's guarantee amount in Korean won and foreign currencies are as follows.

(As of December 31, 2023)

(Unit: KRW)

Items	General guarantee	P-CBO guarantee	P-CBO guarantee (bond market stabilization)	Total
Korean won	67,012,574,657,021	2,622,845,759,961	10,721,699,983,394	80,357,120,400,376
Foreign currency	414,871,550,064	-	850,660,166,550	1,265,531,716,614
Total	67,427,446,207,085	2,622,845,759,961	11,572,360,149,944	81,622,652,116,990

(As of December 31, 2022)

(Unit: KRW)

Items	General guarantee	P-CBO guarantee	P-CBO guarantee (bond market stabilization)	Total
Korean won	67,727,296,366,597	3,593,459,217,604	11,226,032,591,294	82,546,788,175,495
Foreign currency	408,588,758,013	-	413,540,834,250	822,129,592,263
Total	68,135,885,124,610	3,593,459,217,604	11,639,573,425,544	83,368,917,767,758

(3) As of the date of statement of financial position, the Fund's guarantee amount for each key industry is as follows.

(Unit: KRW)

Industry type	As of December 31,			
	2023		2022	
	Amount	Rate (%)	Amount	Rate (%)
Constructions	6,146,057,605,833	7.53	5,727,728,996,334	6.87
Manufacturing	27,938,422,139,735	34.23	29,139,469,557,474	34.95
Wholesale and retail	26,520,096,188,286	32.49	26,929,711,718,085	32.30
Others	21,018,076,183,136	25.75	21,572,007,495,865	25.88
Total	81,622,652,116,990	100.00	83,368,917,767,758	100.00

(4) As of the date of statement of financial position, the Fund's guarantee amount based on company size is as follows.

(Unit: KRW)

Customer type	As of December 31,			
	2023		2022	
	Amount	Rate (%)	Amount	Rate (%)
Small-and-medium sized businesses	71,029,852,408,856	87.02	72,226,216,095,784	86.63
Middle market enterprises	8,879,248,408,134	10.88	9,157,820,871,974	10.98
Corporations	1,713,551,300,000	2.10	1,984,880,800,000	2.38
Total	81,622,652,116,990	100.00	83,368,917,767,758	100.00

(5) As of the date of statement of financial position, the Fund's guarantee amount based on guarantee treatment type is as follows.

(Unit: KRW)

Treatment type	As of December 31,			
	2023		2022	
	Amount	Rate (%)	Amount	Rate (%)
Direct guarantee	75,868,537,014,459	92.95	76,462,011,215,274	91.72
Consignment guarantee	5,754,115,102,531	7.05	6,906,906,552,484	8.28
Total	81,622,652,116,990	100.00	83,368,917,767,758	100.00

22. GENERAL NET ASSETS AND RESERVES AND SURPLUS

The change in general net assets and reserves and surplus for the years ended December 31, 2023 and 2022 are as follows.

(Unit: KRW)

Details	General net assets	Reserves and surplus
Beginning balance (FY2022)	16,472,649,906,634	(7,783,275,829,985)
Net operating result	-	(782,933,578,380)
Other increase and decrease in general net assets (Note 1)	-	965,000,000,000
Ending balance (FY2022)	16,472,649,906,634	(6,035,342,251,605)
Beginning balance (FY2023)	16,472,649,906,634	(6,035,342,251,605)
Net operating result	-	(671,126,096,059)
Other increase and decrease in general net assets (Note 1)	-	83,700,000,000
Ending balance (FY2023)	16,472,649,906,634	(5,280,516,155,546)

(Note 1) Other increase and decrease in general net assets for the years ended December 31, 2023 and 2022 refers to the increase and decrease in contributions from the government.

23. NET ASSET ADJUSTMENTS

Increase and decrease in net asset adjustments for the years ended December 31, 2023 and 2022 are as follows.

(For the year ended December 31, 2023)

(Unit: KRW)

Items		Beginning balance	Disposal, etc.	Valuation gains(losses)	Ending balance	
Revaluation gain and loss on investment securities	Short-term investment securities	Debt securities	(32,391,306,153)	21,326,632,565	16,363,410,100	5,298,736,512
		Equity securities	(65,868,306,463)	245,316,888,887	105,887,059,524	285,335,641,948
	Long-term investment securities	Debt securities	(21,476,285,285)	8,241,847,165	15,716,937,590	2,482,499,470
		Equity securities	563,333,323	-	8,423,414,758	8,986,748,081
	Subtotal		(119,172,564,578)	274,885,368,617	146,390,821,972	302,103,626,011
Revaluation gain and loss on assets	Land	239,650,356,267	-	-	239,650,356,267	
	Buildings	5,676,991,907	(1,115,320,556)	116,076,796	4,677,748,147	
	Structures	264,337,902	(35,784,731)	-	228,553,171	
	Subtotal	245,591,686,076	(1,151,105,287)	116,076,796	244,556,657,585	
Total		126,419,121,498	273,734,263,330	146,506,898,768	546,660,283,596	

(For the year ended December 31, 2022)

(Unit: KRW)

Items		Beginning balance	Disposal, etc.	Valuation gains(losses)	Ending balance	
Revaluation gain and loss on investment securities	Short-term investment securities	Debt securities	(4,420,916,910)	627,322,669	(28,597,711,912)	(32,391,306,153)
		Equity securities	(6,810,032,794)	5,562,537,651	(64,620,811,320)	(65,868,306,463)
	Long-term investment securities	Debt securities	(9,347,267,214)	4,006,562,807	(16,135,580,878)	(21,476,285,285)
		Equity securities	640,508,896	-	(77,175,573)	563,333,323
	Subtotal		(19,937,708,022)	10,196,423,127	(109,431,279,683)	(119,172,564,578)
Revaluation gain and loss on assets	Land	212,653,187,985	-	26,997,168,282	239,650,356,267	
	Buildings	6,831,561,515	(1,154,569,608)	-	5,676,991,907	
	Structures	300,122,633	(35,784,731)	-	264,337,902	
	Subtotal	219,784,872,133	(1,190,354,339)	26,997,168,282	245,591,686,076	
Total		199,847,164,111	9,006,068,788	(82,434,111,401)	126,419,121,498	

24. FINALIZATION OF FINANCIAL STATEMENTS

The Fund's financial statements for the year ended December 31, 2023 is expected to be finalized during the board meeting held on February 23, 2024.

Audit or Review Report on Internal Control Over Financial Reporting

The attached Report On Independent Auditor's Review of Internal Control Over Financial Reporting is prepared as reference for the audit performed for Korea Credit Guarantee Fund's financial statements for the fiscal year ending on December 31, 2023 and the review results of the Fund's internal control over financial reporting.

Attachments: 1. Report on Independent Auditor's Review of Internal Control Over Financial Reporting

2. Operating Status Report of Internal Control Over Financial Reporting

Report On Independent Auditor's Review of Internal Control Over Financial Reporting

(English Translation of a Report Originally Issued in Korean)

To the Board of Directors of Korea Credit Guarantee Fund

We have reviewed the operating status of Internal Control over Financial Reporting of Korea Credit Guarantee Fund (hereafter the "Fund") as at December 31, 2023. Management is responsible for the design, operations, as well as the preparation of operating status report of internal control over financial reporting. Our responsibility is to review and prepare the review results of the materials prepared by management. In the attached Operating Status Report of Internal Control Over Financial Reporting, the Fund's management describes that "based on the review results of the operating status of internal control over financial reporting as at December 31, 2023, the Fund has maintained, in all material respects, effective internal control over financial reporting as at December 31, 2023, based on the Internal Accounting Control System Standards."

We conducted the review in accordance with Internal Accounting Control System Standards. Those standards require that we plan and perform the review to obtain assurance lower than that obtained from audit, of the results described in the operating status report of internal control over financial reporting prepared by management in all material respect. A review includes obtaining an understanding of internal control over financial reporting, inquiring management's review results of operating status of internal control over financial reporting, and verifying related documents within limited scope when deemed necessary, etc.

The Fund's internal control over financial reporting are the internal accounting control system standards enacted to provide reasonable assurance regarding the preparation and disclosure of reliable accounting information and financial statements in accordance with the Korean National Accounting Standards and the organization responsible for the management and operation of such standards. However, due to its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections based on the operating status results of internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review of the operating status report of internal control over financial reporting prepared by management, no items with indications that the content of the operating status report prepared by management were, in all material respects, not in accordance with the internal accounting control system standards were discovered.

On the other hand, our review was based on the internal control over financial reporting as at December 31, 2023 and have not performed a review on the internal control over financial reporting present after December 31, 2023. The current review report was prepared in accordance with the Act on External Audit on Stock Companies, and may not be appropriate for the usage of other purposes and for other users.

Hanul LLC
a member of Crowe Global

14 Teheran-ro 88-gil, Gangnam-gu, Seoul
Republic of Korea

CEO Sung-sub Shin



8 February 2024

Operating Status Report of Internal Control Over Financial Reporting

Operating Status Report of Internal Control Over Financial Reporting_Korea Credit Guarantee Fund

내부회계관리 운영실태 보고서

신용보증기금 감사 귀하

본 내부회계관리자는 2023년 12월 31일 현재 신용보증기금의 내부회계 관리제도의 설계 및 운영실태를 평가하였습니다.

내부회계관리제도의 설계 및 운영에 대한 책임은 본 내부회계관리자를 포함한 우리 기금의 경영진에 있습니다. 본 내부회계관리자는 신용보증기금의 내부회계관리제도가 신뢰할 수 있는 재무제표의 작성 및 공시를 위하여 재무제표의 왜곡을 초래할 수 있는 오류나 부정행위를 예방하고 적발할 수 있도록 효과적으로 설계 및 운영되고 있는지의 여부에 대하여 평가하였습니다. 본 내부회계관리자는 내부회계관리제도의 설계 및 운영 실태를 평가함에 있어 내부회계관리제도 모범규준을 평가기준으로 사용하였습니다.

본 내부회계관리자의 내부회계 관리제도 운영실태 평가결과는 별첨과 같으며, 2023년 12월 31일 현재 신용보증기금의 내부회계 관리제도는 내부회계관리제도 모범규준에 근거하여 볼 때, 중요성의 관점에서 효과적으로 설계 및 운영되고 있다고 판단됩니다.

2024년 1월 19일

내부회계관리자 이사 이주영 (서명)

Independent Auditor's Report

Based on a report originally issued in Korean

To the Board of Directors of Korea Credit Guarantee Fund Insurance Account for Small and Medium Enterprises Trades Receivables

Opinion

We have audited the accompanying financial statements of Korea Credit Guarantee Fund Insurance Account for Small and Medium Enterprises Trades Receivables (hereafter the "Account"), which comprise the statements of financial position as of 31 December 2023, and the statements of income, statements of changes in net asset for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Account as of 31 December 2023, and its financial performances and changes in its net asset for the years then ended in accordance with the Korean National Accounting Standards.

Basis for Opinion

We conducted our audits in accordance with the Korean Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Account in accordance with the ethical requirements of Republic of Korea that are relevant to our audits of the financial statements, and we have fulfilled our 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.

Other matter

The comparative financial statement of the Account for the reporting period ending December 31, 2022 were audited by another auditor, and this auditor's audit report dated February 10, 2023 expressed an unqualified opinion on the financial statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Korean National Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for the assessment of the Account's ability to continue as a going concern, disclosing, as applicable, matters related to going concerns and using the going concern basis of accounting unless management either intends to liquidate the Account or to cease operations.

Those charged with governance are responsible for overseeing the Account's financial reporting process.

Auditor's Responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 Korean Standards on Auditing 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 financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the 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 Account'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 Account'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 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 Account to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 audits.

Hanul LLC

a member of Crowe Global

14 Teheran-ro 88-gil, Gangnam-gu Seoul,

Republic of Korea

CEO Sung-Sub Shin



8 February 2024

This audit report is effective as of the date of this audit report. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the audit report date to the time this audit report is read. Such events and circumstances could significantly affect the accompanying financial statements and may result in modifications to this report.

**Korea Credit Guarantee Fund Insurance Account
for SME Trades Receivables**

(Unit : KRW)

Items	As of December 31,	
	2023	2022
Assets		
I. Current assets	320,848,933,557	432,929,042,937
1. Cash and Cash equivalents (Note 3)	1,068,962,144	-
2. Short-term deposits (Note 3)	298,000,000,000	416,500,000,000
3. Accounts receivables	13,139,374,534	10,803,104,003
4. Other current assets	8,640,596,879	5,625,938,934
II. Investments	431,791,766,379	283,194,602,078
1. Long-term deposits (Note 3)	186,000,000,000	70,000,000,000
2. Long-term investment securities (Note 4)	245,791,766,379	213,194,602,078
III. General property, plant and equipment (Note 5)	98,229,278	178,923,180
1. Furniture and fixtures, office equipment, vehicles	280,940,400	280,940,400
Accumulated depreciation	(182,711,122)	(102,017,220)
IV. Other non-current assets	3,691,739,033	1,853,046,538
1. Long-term accounts receivables	3,691,739,033	1,853,046,538
Total Assets	756,430,668,247	718,155,614,733
Liabilities		
I. Current liabilities	6,251,768,405	5,499,197,938
1. Other current liabilities (Note 6)	6,251,768,405	5,499,197,938
II. Long-term provisions	243,969,320,616	221,112,274,346
1. Provision for Insurances (Note 7)	243,466,345,993	221,065,758,269
2. Other long-term provisions (Notes 7,13)	502,974,623	46,516,077
III. Other non-current liabilities	26,792,557,826	27,081,506,338
1. Other other non-current liabilities (Note 8)	26,792,557,826	27,081,506,338
Total liabilities	277,013,646,847	253,692,978,622
Net assets		
I. General net assets	10,000,000,000	10,000,000,000
II. Reserves and surplus (Note 14)	467,143,900,148	456,161,917,772
III. Net asset adjustment (Note 15)	2,273,121,252	(1,699,281,661)
Total net assets	479,417,021,400	464,462,636,111
Total liabilities and net assets	756,430,668,247	718,155,614,733

"The accompanying notes are an integral part of these financial statements."

**Korea Credit Guarantee Fund Insurance Account
for SME Trades Receivables**

(Unit : KRW)

Items	For the year ended December 31,					
	2023			2022		
	Total costs	Revenues	Net costs	Total costs	Revenues	Net costs
I. Net program costs (Notes 9, 10)	114,782,182,273	66,306,913,986	48,475,268,287	84,484,687,621	66,604,043,158	17,880,644,463
1. Program (SME Trades Receivables Insurance Business)	114,782,182,273	66,306,913,986	48,475,268,287	84,484,687,621	66,604,043,158	17,880,644,463
II. Administrative expenses			-			-
III. Costs not assigned to programs (Note 11)			2,842,859,709			9,366,732,950
1. Service fees			684,000,000			684,000,000
2. Loss on disposal of assets			1,274,009,148			8,419,239,181
3. Other expenses			884,850,561			263,493,769
IV. Revenues not assigned to programs (Note 12)			27,300,110,372			15,500,787,968
1. Interest income			26,731,432,172			15,181,490,899
2. Gain on disposal of assets			328,779,889			52,924,137
3. Other revenues			239,898,311			266,372,932
V. Net operating costs (I+II+III IV)			24,018,017,624			11,746,589,445
VI. Non-exchange Revenues, etc.			-			-
VII. Net operating results (V-VI)			24,018,017,624			11,746,589,445

"The accompanying notes are an integral part of these financial statements."

**Korea Credit Guarantee Fund Insurance Account
for SME Trades Receivables**

(Unit : KRW)

Items	General net assets	Reserves and surplus	Net asset adjustments	Total
I. Beginning balance of net assets for fiscal year 2022	10,000,000,000	412,908,507,217	(1,848,012,637)	421,060,494,580
1. Balance at Dec. 31, 2021 as previously reported	10,000,000,000	412,908,507,217	(1,848,012,637)	421,060,494,580
II. Net operating results	-	11,746,589,445	-	11,746,589,445
III. Adjustments	-	55,000,000,000	148,730,976	55,148,730,976
1. Gain(loss) on valuation of investment securities	-	-	148,730,976	148,730,976
2. Increase in other net assets	-	55,000,000,000	-	55,000,000,000
IV. Closing balance of net assets for fiscal year 2022 (I-II+III)	10,000,000,000	456,161,917,772	(1,699,281,661)	464,462,636,111
V. Beginning balance of net assets for fiscal year 2023	10,000,000,000	456,161,917,772	(1,699,281,661)	464,462,636,111
1. Balance at Dec. 31, 2022 as previously reported	10,000,000,000	456,161,917,772	(1,699,281,661)	464,462,636,111
VI. Net operating results	-	24,018,017,624	-	24,018,017,624
VII. Adjustments	-	35,000,000,000	3,972,402,913	38,972,402,913
1. Gain(loss) on valuation of investment securities	-	-	3,972,402,913	3,972,402,913
2. Increase in other net assets	-	35,000,000,000	-	35,000,000,000
VIII. Closing balance of net assets for fiscal year 2023 (V - VI + VII)	10,000,000,000	467,143,900,148	2,273,121,252	479,417,021,400

"The accompanying notes are an integral part of these financial statements."

1. GENERAL INFORMATION

The Korea Credit Guarantee Fund Insurance Account for Small and Medium Enterprises Trades Receivables (“the Account”) was established in April 1997 under the Act on Special Measures for Support to Small Enterprises and Small Commercial and Industrial Businessmen (the Act was transferred to Small and Medium Enterprises Promotion Act) with fundamental property of KRW 10,000 million. The Account was established within Korea Credit Guarantee Fund in accordance with Article 2 of the Framework Act on Small and Medium Enterprises to avoid a chain reaction of bankruptcies of small and medium enterprises caused by default on promissory notes or bills of exchange related to business activities held by small and medium enterprises or by default on debts by debtors for trade receivables.

In order to achieve the purpose of the Small and Medium Enterprises Promotion Act, the Account performs affairs including affairs related to insurance for trade receivables of small and medium enterprises, operation and management of assets of the Account, matters concerning the payment of insurance money and exercise of subrogation rights, research on practices related to insurance for trade receivables of small and medium enterprises. As of December 31, 2023, the Account has 109 operation branches, inclusive of the headquarter located in Daegu (Department of Credit Insurance), 10 credit insurance centers and 2 insurance benefits centers performing business operations related to insurance for trades receivables.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The Account’s financial statements have been prepared in accordance with the Korean National Accounting Standards in accordance with Article 11, Paragraph 1 of the National Accounting Act, which is effective as of the fiscal year 2009.

Significant accounting policies applied for the preparation of the Account’s financial statements are as follows.

(1) Revenue recognition

Exchange revenues refers to income generated in exchange for providing goods and services, while non-exchange revenues refer to income generated without any direct considerations, such as taxes, levies, donations, non-reciprocal transfer revenues, and fines or penalties, etc.

Exchange revenues shall be recognized when the provision of goods or services are completed and the amount of revenue can be reasonably measurable. Non-exchange revenues shall be recognized when a specifically identifiable, enforceable claim to resources arises and the amount can be reasonably measurable.

(2) Contribution and levies

Contributions refer to financial assets paid without consideration in accordance with laws and regulations for the purpose of raising financial resources for non-profit organizations that act on behalf of government projects, etc.

If contributions are mainly used to change the Account’s assets and liabilities and the original source of the financial resources is maintained, it is reflected as change in net assets in the statement of changes in net position

and treated as an increase in reserves and surplus account. On the other hand, if the Account uses the financial resources raised by contributions as operating expenses, etc., and the raised financial resources are depleted, it is reflected as non-exchange revenues in the statement of financial operations.

Levies refer to financial obligations other than taxes related to public benefit projects irrespective of the provision of goods or services as prescribed in Article 2 of the Framework Act on the Management of Charges.

Unlike contributions, as levies are obligations to be borne only by those who have direct interest in the business operated by the Account, it is considered as non-exchange revenues in accordance with Article 28 of the Korean National Accounting Standards and is treated as non-exchange revenues without exceptions.

(3) Assessment of receivables, etc.

The Account establishes allowance for doubtful accounts for the balance of accounts receivables as of the date of statement of financial position for estimated losses from doubtful receivables determined on a reasonable and objective basis. However, as the Account's accounts receivables consists of accrued income in its entirety, the provisions were recognized.

(4) Marketable Securities

The acquisition cost of marketable securities consist of the market value (in the situation when no market price is available, the market price of the marketable security acquired is used instead) of consideration provided for the acquisition of the marketable security and other costs related to the acquisition of the security. Marketable securities are classified as short-term or long-term investment securities based on the application of actual cost method. Short-term investment securities include debt securities, equity securities and other short-term investment securities that are with maturity less than 1 year or is expected to be disposed of within 1 year as of December 31, 2023. Long-term investment securities include debt securities, equity securities and other long-term investment securities with maturity over 1 year or is expected to be disposed of after 1 year as of December 31, 2023.

Debt securities are valued at amortized costs, while equity securities and other short-term and long-term investment securities are valued at acquisition cost. However, in the case of short-term and long-term investment securities acquired for investment purposes, if the fair value can be measured reliably as of the date of statement of financial position, it is valued at its fair value and the difference between the fair value and book value is adjusted in the changes in net position.

If the recoverable value of the marketable security fall below its book value and the probability of recovery is unlikely due to long period of continued decline, the difference between the fair value and book value is recognized as a loss in net operating costs.

(5) General Property, Plant and Equipment

The acquisition cost of general property, plant and equipment consist of the asset's construction costs or purchase costs, and other expenses incurred for the acquisition of the asset. The balance of property, plant and equipment are measured as historical cost of acquisition less accumulated depreciation, in which the depreciation expense is calculated by applying the depreciation method and useful life stated below.

Items	Depreciation Method	Useful Life
Office equipment	Declining balance	5 years

Expenses that extend the useful life or substantially increase the value of the general property, plant and equipment are treated as an increase in asset, while expenses incurred for the restoration and performance maintenance are treated as expenses.

(6) Impairment of asset, etc.

Unless otherwise stipulated by the Korean National Accounting Standards, of the assets stated in the statement of financial position, if the recoverable value of the asset falls short of its book value due to physical damage or a sharp decrease in its market value, etc. and the amount of shortfall is significant, the amount of shortfall is deducted directly from the book value and adjusted to its recoverable value. The difference between the book value and the recoverable value is reflected in the net cost of financial operations as impairment loss of the corresponding asset. However, if the recoverable value of the impaired asset is recovered to a balance greater than the book value of the asset prior to the impairment, the recovered balance is reflected in the net cost of financial operations as a reversal of impairment loss of the corresponding asset up to the abovementioned book value.

Recoverable value is measured as the greater of an asset's net realizable value and its value in use. In the case for property, plant and equipment, if it is judged to have signs of impairment and if the total estimated future cash flow from the sale and disposal of the asset during the current year is expected to be less than its carrying value, the carrying amount shall be adjusted by reducing it to the recoverable value and impairment loss shall be included in the net operating costs.

Additionally, in the case when the revaluation amount is used as its carrying value due to asset revaluation, the impairment loss of the revalued asset is recognized as net asset adjustment up to the amount of revaluation gain, and reduces its revaluation gain.

In the case when the revaluation amount is used as its carrying value due to asset revaluation, the reversal of impairment loss is recognized as net asset adjustment and the same amount is recognized as an increase in asset revaluation gain. However, the reversal of impairment loss is included in net operating costs up to the amount previously recognized as impairment loss in net operating costs.

(7) Long-term provisions

In the case when the exact date and balance of expenditure is uncertain, but based on past events or as a result of a transaction, it is probable that an outflow of cash or other economic resources from the government accounting entity is required to fulfill an obligation and the amount of outflow of cash or other economic resources can be reasonably estimated, the amount of loss is recognized as long-term provisions.

In accordance with Article 28 of the Operating Manual on the Account of Insurance for Trade Receivables of Small and Medium Enterprises, of the provision for insurances, the account for payment reserve consist of amount claimed by the policyholder due to the occurrence of an insurance accident and the amount of insurance payment due to the occurrence of an insurance payment event but not yet paid.

In accordance with Article 28 of the Operating Manual on the Account of Insurance for Trade Receivables of Small and Medium Enterprises, contingency reserve is a reserve in preparation of an insurance accident in need of large-scale payment. Contingency reserve consists of insurance premiums and interest income for the current fiscal year.

Contingency reserve can not be greater than 3.3% of the underwriting balance of insurance for notes and insurance for trade receivables as of December 31, 2023.

(8) Contingent Events

In the case where, as of the date of statement of financial position, the occurrence of contingent loss is not probable, or the occurrence of contingent loss is probable but the amount of contingent loss cannot be measured with sufficient reliability, details of the contingent event and the financial impact of the contingent loss shall be disclosed in the notes. Additionally, if the occurrence of contingent gain is probable and the amount of contingent gain can be measured with sufficient reliability, details of the contingent event shall be disclosed in the notes.

(9) Income tax expense

Income tax expense consist of corporate tax incurred during the corresponding fiscal year in accordance with laws such as the corporate tax act, etc. and additional tax incurred related to corporate tax.

(10) Use of estimates

The Account's management uses many reasonable estimates and assumptions for the disclosure of the amount of assets, liabilities, provisions, etc., and the estimations of revenues and expenses. Such estimated balances may differ from actual values.

(11) Changes in accounting policies and accounting estimates

New accounting policies are applied retrospectively. When the statements of financial position for the previous and prior periods are disclosed for comparative purposes, the statements of financial position for the previous and prior periods are restated with adjustments due to retrospective application of new accounting policies. However, if it is impracticable to estimate the cumulative effect of applying a new accounting policy, the new accounting policy shall be recognized prospectively from the fiscal year of first application.

Changes in accounting estimates shall be recognized prospectively from the fiscal year of the changes. When a change in accounting policy and a change in accounting estimates occur simultaneously, necessary adjustments due to a new accounting policy is applied retrospectively first, and then changes in accounting estimates shall be recognized prospectively.

In the case when it not possible to determine whether a change in accounting treatment is due to a change in accounting policy or a change in accounting estimate, the change in accounting treatment shall be treated as a change in accounting estimates.

(12) System of Financial Statement Accounts

The financial accounts and the order of arrangement of the financial statements are presented in accordance with the operation instructions of the insurance account for small and medium enterprise trades receivables,

3. CASH AND CASH EQUIVALENTS AND LONG-TERM AND SHORT-TERM DEPOSITS

(1) Cash and cash equivalents, Long-term and short-term deposits as of the dates of statement of financial position are as follows.

(Unit : KRW)

Items	Bank	Interest rate (%)	As of December 31,	
			2023	2022
<Cash and Cash equivalents>				
Demand deposit	Woori Bank	-	1,068,962,144	-
	Sub total		1,068,962,144	-
<Short-term deposits>				
Time deposit	Suhyup Bank, etc.	3.75 ~ 4.35	14,500,000,000	186,500,000,000
Other short-term deposits	KEB Hana Bank, etc.	2.58 ~ 5.80	283,500,000,000	230,000,000,000
	Sub total		298,000,000,000	416,500,000,000
<Long-term deposits>				
Time deposit	BNK Kyongnam Bank, etc.	4.12 ~ 4.30	24,000,000,000	-
Other long-term deposits	Industrial Bank of Korea, etc.	3.70 ~ 4.79	162,000,000,000	70,000,000,000
	Sub total		186,000,000,000	70,000,000,000
	Total		485,068,962,144	486,500,000,000

(2) There are no long-term and short-term investment deposits with restricted use as of December 31, 2023

(3) Interest income from long-term and short-term investment deposits for the years ended December 31, 2023 and 2022 are KRW 18,218 million and KRW 10,235 million respectively.

4. LONG-TERM INVESTMENT SECURITIES

(1) The Account's long-term investment securities as of the dates of statement of financial position are as follows.

(Unit : KRW)

Items	As of December 31,	
	2023	2022
Debt securities:		
Central government bonds	244,928,603,473	211,914,354,553
Equity securities:		
Other equity securities	863,162,906	1,280,247,525
Total	245,791,766,379	213,194,602,078

(2) Valuation of the Account's long-term investment securities as of the dates of statement of financial position are as follows.

(As of December 31, 2023)

(Unit : KRW)

Items	Face value	Carrying amount before valuation	Amortized cost	Fair value	Valuation gain (loss)	Carrying amount
Debt securities:						
Central government bonds	250,000,000,000	231,353,318,271	242,655,482,221	244,928,603,473	2,273,121,252	244,928,603,473
Equity securities:						
Other equity securities	-	863,162,906	-	863,162,906	-	863,162,906
Total	250,000,000,000	232,216,481,177	242,655,482,221	245,791,766,379	2,273,121,252	245,791,766,379

(As of December 31, 2022)

(Unit : KRW)

Items	Face value	Carrying amount before valuation	Amortized cost	Fair value	Valuation gain (loss)	Carrying amount
Debt securities:						
Central government bonds	220,000,000,000	212,908,471,335	213,613,636,214	211,914,354,553	(1,699,281,661)	211,914,354,553
Equity securities:						
Other equity securities	-	1,280,247,525	-	1,280,247,525	-	1,280,247,525
Total	220,000,000,000	214,188,718,860	213,613,636,214	213,194,602,078	(1,699,281,661)	213,194,602,078

Debt securities are measured at amortized cost while equity securities are measured at acquisition cost. However, short-term securities held for investment shall be measured at fair value if it can be measured reliably.

(3) Interest income from long-term and short-term investment in debt securities for the years ended December 31, 2023 and 2022 are KRW 8,510 million and KRW 4,942 million respectively

5. GENERAL PROPERTY, PLANT AND EQUIPMENT

(1) Change in general property, plant and equipment for the years ending December 31, 2023 and 2022 are as follows.

(For the year ended December 31, 2023)

(Unit: KRW)

Items	Beginning carrying amount	Additions	Depreciation expense	Ending carrying amount
Furniture and fixtures, office equipment, vehicles	178,923,180	-	80,693,902	98,229,278

(For the year ended December 31, 2022)

(Unit: KRW)

Items	Beginning carrying amount	Additions	Depreciation expense	Ending carrying amount
Furniture and fixtures, office equipment, vehicles	34,551,809	195,624,450	51,253,079	178,923,180

6. OTHER CURRENT LIABILITIES

The Account's other current liabilities as of the dates of statement of financial position are as follows.

(Unit : KRW)

Items	As of December 31,	
	2023	2022
Accounts payable	124,427,040	83,691,806
Withholdings	3,262,110	5,864,790
Advances from customers	62,820,120	57,453,180
Unearned revenues	3,767,021,760	3,104,532,620
Accrued expense payable	2,294,237,375	2,247,655,542
Total	6,251,768,405	5,499,197,938

7. LONG-TERM PROVISIONS

(1) The Account's other long-term provisions as of the dates of statement of financial position are as follows

(Unit : KRW)

Items	For the year ended December 31,	
	2023	2022
Payment reserve	55,315,986,493	43,463,043,763
Contingency reserve	188,150,359,500	177,602,714,506
Provisions for legal proceedings	502,974,623	46,516,077
Total	243,969,320,616	221,112,274,346

(2) The change in payment reserve for the years ended December 31, 2023 and 2022 are as follows.

(Unit : KRW)

Items	For the year ended December 31,	
	2023	2022
< Promissory note insurance >		
Beginning balance	147,957	337,422
Increase (Decrease)	(114,357)	(189,465)
Ending balance	33,600	147,957
< Trade receivable insurance >		
Beginning balance	43,462,895,806	48,093,266,752
Increase (Decrease)	11,853,057,087	(4,630,370,946)
Ending balance	55,315,952,893	43,462,895,806
Total	55,315,986,493	43,463,043,763

(3) The change in contingency reserve for the years ended December 31, 2023 and 2022 are as follows.

(Unit : KRW)

Items	For the year ended December 31,	
	2023	2022
Beginning balance	177,602,714,506	171,314,173,978
Increase (Decrease)	10,547,644,994	6,288,540,528
Ending balance	188,150,359,500	177,602,714,506

(4) The amount of underwritten insurances and amount of accidents as of the dates of statement of financial position are as follows.

(As of December 31, 2023)

(Unit : KRW)

Items	Promissory note insurance	Trade receivable insurance	Total
Underwritten insurance	21,000,000	5,701,505,045,466	5,701,526,045,466
Amount of accident	-	46,193,544,820	46,193,544,820

(As of December 31, 2022)

(Unit : KRW)

Items	Promissory note insurance	Trade receivable insurance	Total
Underwritten insurance	98,638,110	5,381,801,801,476	5,381,900,439,586
Amount of accident	-	35,390,193,104	35,390,193,104

(5) Change in provisions for legal proceedings for the years ended December 31, 2023, and 2022 are as follows.

(Unit : KRW)

Items	For the year ended December 31,	
	2023	2022
Beginning balance	46,516,077	370,030,711
Increase (Decrease)	456,458,546	(323,514,634)
Ending balance	502,974,623	46,516,077

The Account has realized the entire litigation amount for the lawsuit cases involving claims for Lawsuit collection in which the Account had lost in the court of first instance as provisions for litigations.

8. OTHER NON-CURRENT LIABILITIES

(1) The Account's other non-current liabilities as of the dates of statement of financial position are as follows.

(Unit : KRW)

Items	As of December 31,	
	2023	2022
Prepaid premium reserves,	26,504,389,050	26,749,656,650
Refundable premium reserves	188,168,776	231,849,688
Electronic financial accident responsibility reserve	100,000,000	100,000,000
Total	26,792,557,826	27,081,506,338

Other other non-current assets consist of prepaid premium reserves, refundable premium reserves and electronic financial accident responsibility reserve. Of the premiums in which the collection period had arrived prior before the end of the reporting period, the entire amount of premium to be incurred during the next period and the amount of premium expected to be reimbursed is collected as reserves.

(2) The change in prepaid premium reserves, for the years ended December 31, 2023 and 2022 are as follows.

(Unit : KRW)

Items	For the year ended December 31,	
	2023	2022
< Promissory note insurance >		
Beginning balance	205,890	1,292,580
Increase (Decrease)	(205,890)	(1,086,690)
Ending balance	-	205,890
< Trade receivable insurance >		
Beginning balance	26,749,450,760	25,178,221,160
Increase (Decrease)	(245,061,710)	1,571,229,600
Ending balance	26,504,389,050	26,749,450,760
Total	26,504,389,050	26,749,656,650

9. TOTAL PROGRAM COSTS

Total program costs for the years ended December 31, 2023 and 2022 are as follows.

(Unit : KRW)

Items	For the year ended December 31,	
	2023	2022
Staff costs	23,009,479,352	22,611,961,388
Other employment benefits	3,136,059,817	3,096,992,928
Supplies	228,223,236	233,687,173
Printing expenses	19,001,310	18,901,620
Advertising	344,577,630	456,498,150
Service fees	551,755,389	591,953,420
Taxes and dues	218,270,776	213,046,976
Education & training expenses	134,689,161	176,382,018
Rent expense	360,209,993	321,086,780
Fuel expenses	10,405,300	12,858,631
Travel expenses	132,526,139	141,567,833
Business promotion expenses	251,756,597	283,784,202
Outsourcing expenses	718,405,000	459,116,000
Impairment loss	159,017,084	263,278,740
Loss on disposal of asset	12,379,015	31,391,873
Depreciation expense	80,693,902	51,253,079
Provisions expense (Note 1)	84,614,946,056	53,605,443,043
Repair and maintenance costs	4,733,600	1,118,700
Other expenses	795,052,916	1,914,365,067
Total	114,782,182,273	84,484,687,621

(Note 1) Details of provisions expense are as follows.

(Unit : KRW)

Items	For the year ended December 31,	
	2023	2022
Insurance reserve for trade receivables	62,214,358,332	47,316,902,515
Prepaid premium reserves	11,852,942,730	-
Contingency reserve	10,547,644,994	6,288,540,528
Total	84,614,946,056	53,605,443,043

10. PROGRAM REVENUES

Total program revenues for the years ended December 31, 2023 and 2022 are as follows.

(Unit : KRW)

Items		For the year ended December 31,	
		2023	2022
Insurance income	Promissory note insurance premiums	1,316,270	1,260,670
	Trade receivables insurance premiums	57,164,167,580	54,872,472,330
	Sub total	57,165,483,850	54,873,733,000
Interest income	Damages	482,020,882	219,773,328
	Accrued interest on deposits	627,152	614,384
	Sub total	482,648,034	220,387,712
Other income	Recovered amount	2,102,762,088	2,322,154,858
	Reversal of payment reserve	-	4,630,560,411
	Gain on disposal of available-for-sale securities	-	16,279,367
	Compensation income	6,221,435,833	4,163,887,421
	Other income	334,584,181	377,040,389
	Sub total	8,658,782,102	11,509,922,446
Total		66,306,913,986	66,604,043,158

11. COSTS NOT ASSIGNED TO PROGRAMS

Costs not assigned to programs for the years ended December 31, 2023 and 2022 are as follows.

(Unit : KRW)

Items		For the year ended December 31,	
		2023	2022
Service fees	Admin fees	684,000,000	684,000,000
Loss on disposal of assets	Loss on disposal of assets	1,274,009,148	8,419,239,181
Other expenses	Loss on prior period error corrections	850,068,460	208,765,349
	Other expenses	34,782,101	54,728,420
	Sub total	884,850,561	263,493,769
Total		2,842,859,709	9,366,732,950

12. REVENUES NOT ASSIGNED TO PROGRAMS

Revenues not assigned to programs for the years ended December 31, 2023 and 2022 are as follows.

(Unit : KRW)

Items		For the year ended December 31,	
		2023	2022
Interest income	Interest from deposit	18,217,718,765	10,235,452,880
	Interest from available-for-sale securities	8,509,856,346	4,942,324,068
	Miscellaneous interest income, etc.	3,857,061	3,713,951
	Sub total	26,731,432,172	15,181,490,899
Gain on disposal of assets	Gain on disposal of available-for-sale securities	328,779,889	52,924,137
Other revenues	Gain on prior period error corrections	190,839,389	187,725,607
	Other non-operating income, etc.	49,058,922	78,647,325
	Sub total	239,898,311	266,372,932
Total		27,300,110,372	15,500,787,968

13. CONTINGENCIES AND COMMITMENTS

(1) Legal proceedings in process

As of December 31, 2023, there are 6 ongoing litigations and claims as of December 31, 2023 related to the Account's business activities. Of the 6 litigations, the litigation amount and delayed interest payment of KRW 503 million for the one law suit cases in which the Account had lost in the court of first instance is recognized as provisions for litigations.

(Unit : KRW)

Court	Plaintiff	Defendant	Description	Amount of lawsuit	Others
Seoul central district court	OO Bank of Korea	Korea Credit Guarantee Fund / OO co., ltd.	Lawsuit for collection	131,215,709	Lost court of first instance; Court of appeals in progress
Seoul central district court	OO Bank of Korea	Korea Credit Guarantee Fund, / OO co., ltd.	Lawsuit for collection	359,825,400	Court of first instance in progress
Ansan branch of Suwon district court	OO Co., Ltd.	Korea Credit Guarantee Fund	Lawsuit for insurance benefits	183,219,520	Court of first instance in progress
Seoul central district court	OO Co., Ltd.	Korea Credit Guarantee Fund	Lawsuit for insurance benefits	394,686,072	Lost court of first instance; Court of appeals in progress
Daegu district court	OO Bank of Korea	Korea Credit Guarantee Fund	Lawsuit for collection	45,904,044	Court of first instance in progress
Seoul central district court	OO Co., Ltd.	Korea Credit Guarantee Fund	Lawsuit for insurance benefits	6,303,430	Court of first instance in progress
Total				1,121,154,175	

(2) Assets used as collateral

There are no assets owned by the Account used as collateral as of December 31, 2023.

14. RESERVES AND SURPLUS

The Account's reserves and surplus as of the dates of statement of financial position are as follows.

(Unit : KRW)

Items	As of December 31,	
	2023	2022
Reserves and surplus	456,161,917,772	412,908,507,217
Net operating result	24,018,017,624	11,746,589,445
Increase or decrease in other net assets (Note 1)	35,000,000,000	55,000,000,000
Total	467,143,900,148	456,161,917,772

(Note 1) Government contributions in the increase or decrease in other net assets are as follows.

(Unit : KRW)

Items	For the year ended December 31,	
	2023	2022
Government contributions	35,000,000,000	55,000,000,000

General net asset balance of KRW 10,000 million consist of the initial government contribution received in 1997 when the insurance account was first established. The accumulated government contributions as of December 31, 2023 is KRW 1,261,230 million.

15. NET ASSET ADJUSTMENTS

Net asset adjustments for the year ended December 31, 2023 is as follows.

(As of December 31, 2023)

(Unit : KRW)

Items			Beginning balance	Increase	Decrease	Ending balance
Gain or loss on revaluation of investment securities	Long-term investment securities	Debt securities	(1,699,281,661)	4,049,059,473	(76,656,560)	2,273,121,252

(As of December 31, 2022)

(Unit : KRW)

Items			Beginning balance	Increase	Decrease	Ending balance
Gain or loss on revaluation of investment securities	Long-term investment securities	Debt securities	(1,848,012,637)	1,924,669,197	(1,775,938,221)	(1,699,281,661)

16. CREDIT INSURANCE

The Account's credit insurance as of the dates of statement of financial position are as follows

(Unit : KRW)

Items	As of December 31,	
	2023	2022
Insurance premium for notes	21,000,000	98,638,110
Insurance premium for trades receivables	5,701,505,045,466	5,381,801,801,476
Total	5,701,526,045,466	5,381,900,439,586

17. FINALIZATION OF FINANCIAL STATEMENTS

The Fund's financial statements for the year ended December 31, 2023 is expected to be finalized during the board meeting held on February 23, 2024.

Independent Auditor's Report

Based on a report originally issued in Korean

To the Board of Directors of Korea Infrastructure Credit Guarantee Fund

Opinion

We have audited the accompanying financial statements of Korea Infrastructure Credit Guarantee Fund (hereafter the "Fund"), which comprise the statements of financial position as of 31 December 2023, and the statements of income, statements of changes in net asset for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of 31 December 2023, and its financial performances and changes in its net asset for the years then ended in accordance with the Korean National Accounting Standards.

Basis for Opinion

We conducted our audits in accordance with the Korean Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Fund in accordance with the ethical requirements of Republic of Korea that are relevant to our audits of the financial statements, and we have fulfilled our 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.

Other matter

The comparative financial statement of the Fund for the reporting period ending December 31, 2022 were audited by another auditor, and this auditor's audit report dated February 10, 2023 expressed an unqualified opinion on the financial statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Korean National Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for the assessment of the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concerns and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 Korean Standards on Auditing 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 financial statements.

As part of an audit in accordance with Korean Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the 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 Fund'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 Fund'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 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 Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 audits.

Hanul LLC

a member of Crowe Global

14 Teheran-ro 88-gil, Gangnam-gu Seoul,

Republic of Korea

CEO Sung-Sub Shin



16 February 2024

This audit report is effective as of the date of this audit report. Accordingly, certain material subsequent events or circumstances may have occurred during the period from the audit report date to the time this audit report is read. Such events and circumstances could significantly affect the accompanying financial statements and may result in modifications to this report.

(Attachment) Financial Statements

Korea Infrastructure Credit Guarantee Fund

Period No. 29:

For the year ended December 31, 2023

Period No. 28:

For the year ended December 31, 2023

"The attached financial statements were prepared by the Fund."

Won-Mok Choi, Chairman of Korea Credit Guarantee Fund, the governing agency of Korea Infrastructure
Credit Guarantee Fund

Headquarters : (Address) 7 Cheomdan-ro, Dong-gu, Daegu, Republic of Korea
 (Telephone) 053-430-4484

Korea Infrastructure Credit Guarantee Fund

(Unit : KRW)

Items	As of December 31,	
	2023	2022
Assets		
I. Current assets	978,804,043,510	743,264,771,596
1. Cash and cash equivalents (Note 3)	768,237,103	2,212,234,382
2. Short-term deposits (Note 3)	279,900,000,000	171,700,000,000
3. Short-term investment securities (Note 4)	684,040,666,719	515,024,888,093
4. Accounts receivables	14,095,139,688	2,888,551,661
5. Short-term loans (Note 5)	-	50,000,000,000
6. Other current assets	-	1,439,097,460
II. Investments	62,100,161,100	213,200,161,200
1. Long-term deposits (Note 3)	62,100,000,000	213,200,000,000
2. Long-term investment securities	161,100	161,200
III. General property, plant and equipment	3,743,280	3,697,639
1. Furniture and fixtures, office equipment, vehicles	17,620,290	15,745,090
Accumulated depreciation	(13,877,010)	(12,047,451)
IV. Other non-current assets	545,663,362	944,362,211
1. Long-term accounts receivables	545,663,362	944,362,211
Total Assets	1,041,453,611,252	957,412,992,646
Liabilities		
I. Current liabilities	10,549,555,057	3,343,638,550
1. Other current liabilities (Note 6)	10,549,555,057	3,343,638,550
II. Long-term provisions	75,218,439,426	75,141,507,665
1. Other long-term provisions (Note 7)	75,218,439,426	75,141,507,665
Total liabilities	85,767,994,483	78,485,146,215
Net assets		
I. General net assets	248,000,000,000	248,000,000,000
II. Reserves and surplus (Note 13)	681,339,679,019	632,679,311,690
III. Net asset adjustment (Note 14)	26,345,937,750	(1,751,465,259)
Total net assets	955,685,616,769	878,927,846,431
Total liabilities and net assets	1,041,453,611,252	957,412,992,646

"The accompanying notes are an integral part of these financial statements."

Korea Infrastructure Credit Guarantee Fund

(Unit : KRW)

Items	For the year ended December 31,					
	2023			2022		
	Total costs	Revenues	Net costs	Total costs	Revenues	Net costs
I. Net program costs (Notes 8, 9)	3,211,726,108	20,426,147,290	(17,214,421,182)	13,971,834,055	21,904,416,400	(7,932,582,345)
1. Program (support for industrial infrastructure)	3,211,726,108	20,426,147,290	(17,214,421,182)	13,971,834,055	21,904,416,400	(7,932,582,345)
II. Administrative expenses			-			-
III. Costs not assigned to programs			10,880,751,808			16,086,290,241
1. Service fees			440,000,000			464,000,000
2. Loss on disposal of assets			615,957,633			13,496,435,941
3. Other expenses (Note 10)			9,824,794,175			2,125,854,300
IV. Revenues not assigned to programs			32,326,697,955			9,641,674,775
1. Interest income (Note 3)			18,695,437,794			8,553,834,345
2. Gain on disposal of assets			13,068,774,303			-
3. Other revenues			562,485,858			1,087,840,430
V. Net operating costs (I+II+III- IV)			(38,660,367,329)			(1,487,966,879)
VI. Non-exchange Revenues, etc.			-			-
VII. Net operating results (V-VI)			(38,660,367,329)			(1,487,966,879)

"The accompanying notes are an integral part of these financial statements."

Korea Infrastructure Credit Guarantee Fund

(Unit : KRW)

Items	General net assets	Reserves and surplus	Net asset adjustments	Total
I. Beginning balance of net assets for fiscal year 2022	248,000,000,000	616,191,344,811	(713,221,646)	863,478,123,165
1. Balance at Dec. 31, 2021 as previously reported	248,000,000,000	616,191,344,811	(713,221,646)	863,478,123,165
II. Net operating results	-	(1,487,966,879)	-	(1,487,966,879)
III. Adjustments	-	15,000,000,000	(1,038,243,613)	13,961,756,387
1. Gain(loss) on valuation of investment securities (Note 14)	-	-	(1,038,243,613)	(1,038,243,613)
2. Increase in other net assets (Note 13)	-	15,000,000,000	-	15,000,000,000
IV. Closing balance of net assets for fiscal year 2022 (I-II+III)	248,000,000,000	632,679,311,690	(1,751,465,259)	878,927,846,431
V. Beginning balance of net assets for fiscal year 2023	248,000,000,000	632,679,311,690	(1,751,465,259)	878,927,846,431
1. Balance at Dec. 31, 2022 as previously reported	248,000,000,000	632,679,311,690	(1,751,465,259)	878,927,846,431
VI. Net operating results	-	(38,660,367,329)	-	(38,660,367,329)
VII. Adjustments	-	10,000,000,000	28,097,403,009	38,097,403,009
1. Gain(loss) on valuation of investment securities (Note 14)	-	-	28,097,403,009	28,097,403,009
2. Increase in other net assets (Note 13)	-	10,000,000,000	-	10,000,000,000
VIII. Closing balance of net assets for fiscal year 2023 (V - VI + VII)	248,000,000,000	681,339,679,019	26,345,937,750	955,685,616,769

"The accompanying notes are an integral part of these financial statements."

1. GENERAL INFORMATION

The Korea Infrastructure Credit guarantee Fund (“the Fund”) was established on August 3, 1994 under the Promotion of Private Capital into Infrastructure Investment Act (Current: Act on Public-Private Partnerships in Infrastructure) in order to provide credit guarantees to facilitate securing public-private partnership project fund. During the time of the Fund’s establishment, the Fund was managed by three agencies (Korea Credit Guarantee Fund, Korea Development Bank, and Credit Guarantee Fund for Technical Development). However, for efficient operations, as of January 1, 1999, the Fund has been and currently is under the management of an integrated management agency, Korea Credit Guarantee Fund.

In order to achieve the purpose of the Act on Public-Private Partnerships in Infrastructure, the Fund provides guarantees for and collects guarantee charges from concessionaires selected by the central government and local government and public-private partnership companies, during situations when those companies are raising funds from financial institutions.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The Fund’s financial statements have been prepared in accordance with the Korean National Accounting Standards in accordance with Article 11, Paragraph 1 of the National Accounting Act, which is effective as of the fiscal year 2009.

Significant accounting policies applied for the preparation of the Fund’s financial statements are as follows.

(1) Revenue recognition

Exchange revenues refers to income generated in exchange for providing goods and services, while non-exchange revenues refer to income generated without any direct considerations, such as taxes, levies, donations, non-reciprocal transfer revenues, and fines or penalties, etc.

Exchange revenues shall be recognized when the provision of goods or services are completed and the amount of revenue can be reasonably measurable. Non-exchange revenues shall be recognized when a specifically identifiable, enforceable claim to resources arises and the amount can be reasonably measurable.

(2) Contribution and levies

Contributions refer to financial assets paid without consideration in accordance with laws and regulations for the purpose of raising financial resources for non-profit organizations that act on behalf of government projects, etc.

If contributions are mainly used to change the Fund’s assets and liabilities and the original source of the financial resources is maintained, it is reflected as change in net assets in the statement of changes in net position and treated as an increase in reserves and surplus account. On the other hand, if the Fund uses the financial resources raised by contributions as operating expenses, etc., and the raised financial resources are depleted, it is reflected as non-exchange revenues in the statement of financial operations.

Levies refer to financial obligations other than taxes related to public benefit projects irrespective of the provision of goods or services as prescribed in Article 2 of the Framework Act on the Management of Charges.

Unlike contributions, as levies are obligations to be borne only by those who have direct interest in the business operated by the Fund, it is considered as non-exchange revenues in accordance with Article 28 of the Korean National Accounting Standards and is treated as non-exchange revenues without exceptions. Thus, financial resources raised by financial companies, etc. are considered as levies.

(3) Assessment of receivables, etc.

The Fund establishes allowance for doubtful accounts for the balance of accounts receivables as of the date of statement of financial position for estimated losses from doubtful receivables determined on a reasonable and objective basis. However, as the Fund's accounts receivables consists of accrued income in its entirety, the provisions were recognized.

(4) Marketable Securities

The acquisition cost of marketable securities consist of the market value (in the situation when no market price is available, the market price of the marketable security acquired is used instead) of consideration provided for the acquisition of the marketable security and other costs related to the acquisition of the security. Marketable securities are classified as short-term or long-term investment securities based on the application of actual cost method. Short-term investment securities include debt securities, equity securities and other short-term investment securities that are with maturity less than 1 year or is expected to be disposed of within 1 year as of December 31, 2023. Long-term investment securities include debt securities, equity securities and other long-term investment securities with maturity over 1 year or is expected to be disposed of after 1 year as of December 31, 2023.

Debt securities are valued at amortized costs, while equity securities and other short-term and long-term investment securities are valued at acquisition cost. However, in the case of short-term and long-term investment securities acquired for investment purposes, if the fair value can be measured reliably as of the date of statement of financial position, it is valued at its fair value and the difference between the fair value and book value is adjusted in the changes in net position.

If the recoverable value of the marketable security fall below its book value and the probability of recovery is unlikely due to long period of continued decline, the difference between the fair value and book value is recognized as a loss in net operating costs.

(5) General Property, Plant and Equipment

The acquisition cost of general property, plant and equipment consist of the asset's construction costs or purchase costs, and other expenses incurred for the acquisition of the asset. The balance of property, plant and equipment are measured as historical cost of acquisition less accumulated depreciation, in which the depreciation expense is calculated by applying the depreciation method and useful life stated below.

Items	Depreciation Method	Useful Life
Furniture and fixtures, office equipment, vehicles	Declining balance	5 years

Expenses that extend the useful life or substantially increase the value of the general property, plant and equipment are treated as an increase in asset, while expenses incurred for the restoration and performance maintenance are treated as expenses.

(6) Impairment of asset, etc.

Unless otherwise stipulated by the Korean National Accounting Standards, of the assets stated in the statement of financial position, if the recoverable value of the asset falls short of its book value due to physical damage or a sharp decrease in its market value, etc. and the amount of shortfall is significant, the amount of shortfall is deducted directly from the book value and adjusted to its recoverable value. The difference between the book value and the recoverable value is reflected in the net cost of financial operations as impairment loss of the corresponding asset. However, if the recoverable value of the impaired asset is recovered to a balance greater than the book value of the asset prior to the impairment, the recovered balance is reflected in the net cost of financial operations as a reversal of impairment loss of the corresponding asset up to the abovementioned book value.

Recoverable value is measured as the greater of an asset's net realizable value and its value in use. In the case for property, plant and equipment, if it is judged to have signs of impairment and if the total estimated future cash flow from the sale and disposal of the asset during the current year is expected to be less than its carrying value, the carrying amount shall be adjusted by reducing it to the recoverable value and impairment loss shall be included in the net operating costs.

Additionally, in the case when the revaluation amount is used as its carrying value due to asset revaluation, the impairment loss of the revalued asset is recognized as net asset adjustment up to the amount of revaluation gain, and reduces its revaluation gain.

In the case when the revaluation amount is used as its carrying value due to asset revaluation, the reversal of impairment loss is recognized as net asset adjustment and the same amount is recognized as an increase in asset revaluation gain. However, the reversal of impairment loss is included in net operating costs up to the amount previously recognized as impairment loss in net operating costs.

(7) Long-term provisions

In the case when the exact date and balance of expenditure is uncertain, but based on past events or as a result of a transaction, it is probable that an outflow of cash or other economic resources from the Fund is required to fulfill an obligation and the amount of outflow of cash or other economic resources can be reasonably estimated, the amount of loss is recognized as long-term provisions.

Allowance for guarantee losses is evaluated by the present value of the estimated net cash outflow by the Fund. However, in the case where it is difficult to estimate the present value of estimated net cash flows, the estimated expected loss of the guarantee balance as of the date of the statement of financial position calculated using reliable and objective basis such as the indemnitee's credit risk, loss experience rate and expected loss rate, etc. can be used as the present value of estimated net cash outflow. The Fund establishes its guarantee provisions by applying the set rate calculated using the Evaluation Model for Public-Private Partnership Projects to the amount of guarantee acceptance for each business type.

(8) Contingent Events

In the case where, as of the date of statement of financial position, the occurrence of contingent loss is not probable, or the occurrence of contingent loss is probable but the amount of contingent loss cannot be measured with sufficient reliability, details of the contingent event and the financial impact of the contingent loss shall be disclosed in the notes. Additionally, if the occurrence of contingent gain is probable and the amount of contingent gain can be measured with sufficient reliability, details of the contingent event shall be disclosed in the notes.

(9) Income tax expense

Income tax expense consist of corporate tax incurred during the corresponding fiscal year in accordance with laws such as the corporate tax act, etc. and additional tax incurred related to corporate tax.

(10) Use of estimates

The Fund's management uses many reasonable estimates and assumptions for the disclosure of the amount of assets, liabilities, provisions, etc., and the estimations of revenues and expenses. Such estimated balances may differ from actual values.

3. CASH AND CASH EQUIVALENTS AND LONG-TERM AND SHORT-TERM DEPOSITS

(1) Cash and cash equivalents, Long-term and short-term deposits as of the dates of statement of financial position are as follows.

(Unit : KRW)

Items	Bank	Interest rate (%)	As of December 31,	
			2023	2022
<Cash and Cash equivalents>				
MMF	Samsung Asset Management	-	717,003,143	2,064,827,912
Ordinary deposit	Woori Bank	-	51,233,960	147,406,470
	Sub total		1,068,962,144	-
<Short-term deposits>				
Time deposit	BNK Kyongnam Bank, etc.	4.04~5.65	51,000,000,000	49,100,000,000
Other short-term deposits	BNK Kyongnam Bank, etc.	4.11~5.80	228,900,000,000	122,600,000,000
	Sub total		298,000,000,000	416,500,000,000
<Long-term deposits>				
Time deposit	BNK Kyongnam Bank, etc.	4.17~4.56	7,700,000,000	30,000,000,000
Other long-term deposits	BNK Kyongnam Bank, etc.	4.47~4.79	54,400,000,000	183,200,000,000
	Sub total		62,100,000,000	213,200,000,000
	Total		342,768,237,103	387,112,234,382

(2) There are no long-term and short-term investment deposits with restricted use as of December 31, 2023

(3) Interest income from long-term and short-term investment deposits for the years ended December 31, 2023 and 2022 are KRW 18,471 million and KRW 8,149 million respectively.

4. SHORT-TERM INVESTMENT SECURITIES

(1) The Fund's short-term investment securities as of the dates of statement of financial position are as follows.

Items	As of December 31,	
	2023	2022
Equity securities:		
Other equity securities	684,040,666,719	515,024,888,093

(2) Valuation of the Fund's short-term investment securities as of the dates of statement of financial position are as follows.

(As of December 31, 2023)

(Unit : KRW)

Items	Carrying amount before valuation	Fair value	Net asset adjustment	Carrying amount at period end
Equity securities:				
Other equity securities	657,694,728,969	684,040,666,719	26,345,937,750	684,040,666,719

(As of December 31, 2022)

(Unit : KRW)

Items	Carrying amount before valuation	Fair value	Net asset adjustment	Carrying amount at period end
Equity securities:				
Other equity securities	516,776,353,352	515,024,888,093	(1,751,465,259)	515,024,888,093

Debt securities are measured at amortized cost while equity securities are measured at acquisition cost. However, short-term securities held for investment shall be measured at fair value if it can be measured reliably.

5. SHORT-TERM LOANS

(1) The Fund's short-term loans as of the dates of statement of financial position are as follows.

(Unit : KRW)

Items	As of December 31,	
	2023	2022
Government deposits (Note 1)	-	50,000,000,000

(Note 1) Government deposits are deposits related to public fund management funds

(2) Details of increase and decrease in long-term and short-term loans for the years ended December 31, 2023 and 2022 are as follows.

(For the year ended December 31, 2023)

(Unit : KRW)

Items	Beginning balance	Increase	Decrease	Ending balance
Government deposits	50,000,000,000	-	50,000,000,000	-

(For the year ended December 31, 2022)

(Unit : KRW)

Items	Beginning balance	Increase	Decrease	Ending balance
Government deposits	-	50,000,000,000	-	50,000,000,000

6. OTHER CURRENT LIABILITIES

The Fund's other current liabilities as of the dates of statement of financial position are as follows.

(Unit : KRW)

Items	As of December 31,	
	2023	2022
Unearned revenues	2,213,954,910	3,101,527,500
Accounts payable	20,152,713	9,081,790
Accrued expense payable (Note 1)	192,125,439	187,953,530
Withholdings	46,276,400	45,075,730
Advance received	54,814,280	-
Income taxes payable (Note 2)	8,022,231,315	-
Total	10,549,555,057	3,343,638,550

(Note 1) Amount consist of business performance-based incentives, payment of annual leaves and social insurance premiums to be paid during next fiscal year.

(Note 2) The amount was calculated by considering items of inclusion in gross revenue and deductions considered in Corporate Tax Act to the net income calculated based on corporate accounting.

7. LONG-TERM PROVISIONS

(1) The Fund's other long-term provisions as of the dates of statement of financial position are as follows.

(Unit : KRW)

Items	As of December 31,	
	2023	2022
Provision for guarantees	75,218,439,426	75,141,507,665

(2) As of the date of statement of financial position, the Fund establishes its guarantee provisions by applying the set rate calculated using the Evaluation Model for Public-Private Partnership Projects to the amount of guarantee balance for each business type. The amount of guarantee and provisions for guarantee as of December 31, 2023 and 2022 are as follows.

(For the year ended December 31, 2023)

(Unit: KRW)

Items	Infrastructure guarantee	P-CBO infrastructure guarantee	Total
Guarantees amount	3,665,601,284,757	4,800,113,008,000	8,465,714,292,757
Provision for guarantees	28,515,922,415	46,702,517,011	75,218,439,426

(For the year ended December 31, 2022)

(Unit: KRW)

Items	Infrastructure guarantee	P-CBO infrastructure guarantee	Total
Guarantees amount	3,688,668,979,885	4,936,019,300,000	8,624,688,279,885
Provision for guarantees	29,156,468,215	45,985,039,450	75,141,507,665

(3) The change in provisions for guarantees for each guarantee type for the years ended December 31, 2023 and 2022 are as follows.

(For the year ended December 31, 2023)

(Unit : KRW)

Items	Infrastructure guarantee	P-CBO infrastructure guarantee	Total
Beginning balance	29,156,468,215	45,985,039,450	75,141,507,665
Change in guarantee balance	(786,213,942)	(1,116,429,189)	(1,902,643,131)
Change in provisions rate	145,668,142	1,833,906,750	1,979,574,892
Ending balance	28,515,922,415	46,702,517,011	75,218,439,426

(For the year ended December 31, 2022)

(Unit : KRW)

Items	Infrastructure guarantee	P-CBO infrastructure guarantee	Total
Beginning balance	29,451,939,070	34,725,949,954	64,177,889,024
Change in guarantee balance	(1,849,009,242)	3,858,779,896	2,009,770,654
Change in provisions rate	1,553,538,387	7,400,309,600	8,953,847,987
Ending balance	29,156,468,215	45,985,039,450	75,141,507,665

8. TOTAL PROGRAM COSTS

Total program costs for the years ended December 31, 2023 and 2022 are as follows.

(Unit : KRW)

Items	For the year ended December 31,	
	2023	2022
Staff costs	2,140,572,946	2,108,153,873
Other employment benefits	266,462,640	261,485,510
Supplies	55,891,761	54,627,019
Printing expenses	6,955,640	6,516,300
Advertising	29,600,000	29,700,000
Service fees	3,302,800	5,608,500
Taxes and dues	261,844,732	281,166,530
Insurance expense	12,621,240	6,841,817
Education & training expenses	13,896,000	13,896,000
Rent expense	929,443	2,320,946
Fuel expenses	48,325,666	42,102,780
Travel expenses	54,352,450	55,201,270
Business promotion expenses	22,168,600	21,181,000
Outsourcing expenses	1,829,559	1,760,620
Depreciation expenses	76,931,761	10,963,618,640
Provisions expense	176,040,870	47,653,250
Prior year's guarantee refund	40,000,000	70,000,000
Research and development	3,211,726,108	13,971,834,055
Total	2,140,572,946	2,108,153,873

9. PROGRAM REVENUES

Total program revenues for the years ended December 31, 2023 and 2022 are as follows.

(Unit : KRW)

Items	As of December 31,	
	2023	2022
Income generated in exchange for providing goods and services:		
Income generated in exchange for services	20,426,147,290	21,904,416,400
Total	20,426,147,290	21,904,416,400

10. OTHER EXPENSES

Of the costs not assigned to programs, other expenses for the years ended December 31, 2023 and 2022 are as follows.

(Unit : KRW)

Items	As of December 31,	
	2023	2022
Income tax expense	9,824,794,175	2,125,854,300
Total	9,824,794,175	2,125,854,300

11. CONTINGENCIES AND COMMITMENTS

(1) Legal proceedings in process

There are no legal proceedings in process in relation to the Fund's business activities as of December 31, 2023.

(2) Assets used as collateral

There are no assets owned by the Fund used as collateral as of December 31, 2023.

12. CREDIT GUARANTEE

As of the date of statement of financial position, the infrastructure guarantee balance for each business type is as follows.

(Unit : KRW)

Items	As of December 31,	
	2023	2022
Road	4,481,398,765,969	4,472,813,528,460
Port	1,022,726,581,071	1,062,176,907,289
Environment	252,131,426,735	307,953,812,944
Tunnel	261,815,200,000	278,448,800,000
Bridge	276,500,000,000	309,000,000,000
School	49,449,265,732	55,868,579,805
Railway	1,919,283,500,000	1,922,659,000,000
Cultural tourism	140,386,106,128	150,545,538,619
Military residence	2,310,775,358	2,371,511,933
Others	59,712,671,764	62,850,600,835
Total	8,465,714,292,757	8,624,688,279,885

13. RESERVES AND SURPLUS

(1) The Fund's reserves and surplus as of the dates of statement of financial position are as follows.

(Unit : KRW)

Items	As of December 31,	
	2023	2022
1.Reserves and surplus	632,679,311,690	616,191,344,811
2.Net operating result	(38,660,367,329)	(1,487,966,879)
3.Increase or decrease in other net assets (Note 1)	10,000,000,000	15,000,000,000
Total (1-2+3)	681,339,679,019	632,679,311,690

(2) Government contributions in the increase or decrease in other net assets are as follows.

(Unit : KRW)

Items	For the year ended December 31,	
	2023	2022
Government contributions	10,000,000,000	15,000,000,000

General net asset balance of KRW 248,000 million consist of accumulated government contributions received until 2008, prior to the application of Korean National Accounting Standards in 2009. The accumulated government contributions as of December 31, 2023 is KRW 559,000 million.

14. NET ASSET ADJUSTMENTS

Net asset adjustments for the year ended December 31, 2023 is as follows.

(Unit : KRW)

Items			Beginning balance	Increase	Decrease	Ending balance
Revaluation gains and losses from investment securities	Short-term investment securities	Equity securities	(1,751,465,259)	157,951,829,273	129,854,426,264	26,345,937,750
Total net asset adjustment			(1,751,465,259)	157,951,829,273	129,854,426,264	26,345,937,750

15. FINALIZATION OF FINANCIAL STATEMENTS

The Fund's financial statements for the year ended December 31, 2023 is expected to be finalized during the board meeting held on February 23, 2024.

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